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UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK  
Case No. 08-13555-scc

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In the Matter of:

LEHMAN BROTHERS HOLDINGS INC.,

Debtor.

- - - - -x

United States Bankruptcy Court  
One Bowling Green  
New York, New York

February 14, 2017  
9:35 AM

B E F O R E:  
HON. SHELLEY C. CHAPMAN  
U.S. BANKRUPTCY JUDGE

1 08-13555-scc Lehman Brothers Holdings Inc.

2 Ch 11

3 Trial on Lehman's Objection to Claims of QVT [Doc #17468

4 Debtors' One Hundred Fifty-Fifth Omnibus Objection to Claims]

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1 P R O C E E D I N G S

2 THE COURT: Good morning.

3 (Chorus of good morning)

4 THE COURT: Ready when you are.

5 MR. TRACEY: Ready.

6 THE COURT: Ready? Mr. Wollman?

7 Good morning. You're still under oath. Make  
8 yourself comfortable.

9 DIRECT EXAMINATION (RESUMED)

10 BY MR. TRACEY:

11 Q Good morning. We're going to start again with 2108.

12 A Okay.

13 MR. TRACEY: Can you bring it up, please? Okay. And  
14 we'll give Mr. Wollman (indiscernible).

15 BY MR. TRACEY:

16 Q So I think when we broke yesterday, we had talked about  
17 the earlier iteration of this and then we had gone to the final  
18 which is Claimant's Exhibit 2108. And I think where we left  
19 off was I was asking you what changes you made to 2108 from the  
20 prior iteration that we reviewed yesterday, what you called the  
21 template?

22 So would you take the Court through any changes that you  
23 made in the way that the spreadsheet works?

24 A Sure. So I guess, first, I would point out that the  
25 template itself had changed as I was talking about -- so if you

1 look at any of the trader tabs, you'll notice the way that the  
2 Markit Partners' default assumptions were -- had changed since  
3 that template. And then --

4 Q So before you go on, could you explain how the template  
5 changed in regard to Markit Partners' calculations?

6 A Yes. So -- so if we just use "Lehman position/Joel" as an  
7 example, I just clicked on that sheet. And I'm now taking us  
8 to column B of the spreadsheet. And column B through W --  
9 through Y, rather, on the original template, if you'll recall,  
10 the only capability the spreadsheet had was to use 9/15 Markit  
11 Partners. Or rather, I should say, the only capability it had  
12 would be to use one date which was whatever date would have  
13 been in cell B1.

14 In this iteration, you can see -- well, the formula is not  
15 here anymore but the way that the spreadsheet works now is that  
16 it will use the default in cell B1 unless there is an override  
17 in column Y. So this allows for more than one Markit Partners  
18 date for different positions.

19 And then additionally, the bid mid default assumption had  
20 changed from 15 percent down to 10 percent as you can see in  
21 cell W1.

22 Q And could that default also be changed?

23 A Yeah. And it could be changed at a -- on a row by row  
24 basis. That capability existed in the original template as  
25 well.

1 And then finally, I'll point out that whereas the original  
2 template had the calculation of the claim in column AN, I don't  
3 recall if it had the calculation in column AO which was the  
4 value itself independent of what Lehman's margin mark --  
5 collateral mark was.

6 But those are -- those are -- those are the primary  
7 changes. Obviously, there's also more information in these  
8 spreadsheets as well.

9 Q Okay. And just on that last point, just to be clear,  
10 could you state again what the difference is between "Claim",  
11 which is in AN, and "Value", which is in AO?

12 A Sure. I mean, you can see it by looking at the difference  
13 in the formulas. I'm just using AN4 and AO4 as a means of  
14 comparison. The only difference in the formula is that in  
15 column AN, there is a subtraction of H4 which was the Lehman  
16 mark. And in column AO, there's no such subtraction.

17 Q Okay. Thank you. So what I'd like to do is just ask you  
18 a few questions about the individual trader sheets. I think  
19 you testified before that there are individual trader sheets in  
20 CX2108 for each of the traders. Would you describe for the  
21 Court the genesis of those trader sheets, when you created  
22 them, how you distributed them and how you got them back?

23 A Sure. So -- and I believe I touched on some of this  
24 yesterday. The -- once the template was finalized at least  
25 from the perspective of the methodol -- the calculation

1 functionality was finalized, the individual traders were  
2 instructed to take -- to make a copy of that standardized  
3 template and make a cop -- each trader would make their own  
4 copy and they would value the positions that they were  
5 responsible for. And then they would save that in the same G  
6 drive that the original template existed in. And then once  
7 those were saved there and I was alerted to their existence, I  
8 then went and took those individual sheets and inserted them  
9 into this -- this 2108 sheet. And I would also -- certain  
10 traders had other supporting calculation, other sheets that  
11 their main sheet depended upon. And so I -- it would be  
12 required that I would pull those sheets in as well so that  
13 their underlying sheets would continue to function.

14 So basically, once I had them, I aggregated them all in  
15 and then I created the Lehman position master tab which was the  
16 -- which would ultimately be the aggregation of all those  
17 sheets where on a position by position basis, it would look to  
18 the underlying sheet that was most relevant.

19 Q Okay. Thank you. So what I'd like to do now is to take  
20 you to the positions that you personally valued that you were  
21 responsible for.

22 A Sure.

23 Q So could you take us to the sheet and show, if you can by  
24 filtering the sheet and describing what you do, identify the  
25 positions that you were responsible for?



1 A Sure. I'm just pulling "Lehman Positions - Joel", "Near  
2 Lehman Positions - - Master" as I may need to reference both  
3 sheets. But I'll go off of "Lehman Positions - Master"  
4 primarily.

5 So -- so I'm on "Lehman Positions - Master" and scrolling  
6 over to column BC which has "The Marked By" column -- "Marked  
7 By" field, rather, and I am filtering it to just show JW. I  
8 just selected JW, hit "Okay", and that shows 264 of 796  
9 records. I'll point out that that's for all the positions but  
10 the "Unsettled Trades". Those are separate below but we can  
11 get to that later. But this is the -- these are the positions  
12 that are the non-unsettled trades that I marked.

13 Q Okay. And now for the questions that I'm going to ask you  
14 now, I would like you to limit your answers to information you  
15 gathered and calculations you made only between September 15th  
16 and October 15th, 2008. Okay?

17 A Okay.

18 Q All right. So let's take these positions category by  
19 category. Did you value any of your positions using the market  
20 quotation responses that were received under the market  
21 quotation provision in the ISDA?

22 A Yes, I did.

23 Q Okay. Can you isolate those for us?

24 A Sure. So I'm going to column EP which is "QVT Source" and  
25 I am selecting -- there are four options there. I'm selecting

1 the "List" option.

2 So this actually shows all the positions that use any  
3 information from the market quotation process whether it was  
4 positions that actually had three or more quotes and market  
5 quotation was applicable, as well as those where there were  
6 only one or two quotes that -- where I used that information as  
7 well.

8 Q Okay. And is there a way to isolate those where you had  
9 three or more quotes?

10 A So there -- I don't believe there's an easy way to do that  
11 on this sheet but I can go to the ABS list sheet and isolate  
12 them that way.

13 Q Okay.

14 A So as I discussed, the only positions where there were  
15 market quotations, three or more, were the ABS positions. So  
16 that's why they can all be found on the ABS list sheet. And  
17 further in the explanation column, which is in column M, that  
18 describes the level used, which is in column M, you can see  
19 that the explanation varies between mid or average. The mid  
20 would be those instances where we had three or more -- three or  
21 more quotes. So -- and per the ISDA requirement, it -- the  
22 fact that we take the middle value because it removes the  
23 highest and the lowest and what remains is the only value and  
24 that happens to be the mid of those three.

25 So here, you can identify all six as rows -- well, row 3

1 is the A-tabs 2004-1AB, rows 4 and 5, both of which are the  
2 Commo 2005-3AB. There are two of those positions with  
3 different strikes. The E-Trade, row 7, ETRD 2004-1AB, is the  
4 fourth of those. Going down to row 26, Midor, M-I-D-O-R,  
5 2006-1AC. And then finally, row 28, Ramp 2005-EFC4 and 9.  
6 These are QVT and Quintessence aggregated so there are six  
7 positions split by the two funds or the 12 market quotations  
8 that we received.

9 I can show how this folds back to the sheet.

10 Q Just take away -- if you could take one example and just  
11 show how whatever level you determined here results in a claim.

12 A Sure. So why don't we start with the top one, row 3,  
13 ACABS 2004-1AB. You can see that the mid-level is 98, which is  
14 the value found in M3. That's the value that remains after the  
15 highest and lowest are removed.

16 So if we go back to "Lehman Positions - Master" and go to  
17 row 8 which is ACABS-2004-1A-B\_DS1.!, if you look at what is in  
18 column AD, you'll see that is -- well, that's a reference to  
19 the "Lehman Positions - Joel" sheet. And you'll see that the  
20 reason given in column AE is list, the note -- there it says  
21 "average of quote" so that actually is as we just described it.  
22 It's the mid. But if we click "Lehman Positions - Joel", you  
23 can see that -- and we go to the same column, column AD --  
24 well, actually, here, so here, you'll see it's 97.88. It's a  
25 hard-coded value. In the original sheet, it wouldn't have been

1 a hard-coded value. It would have referenced the ABS list  
2 sheet but then it would have to do a calculation for accrued  
3 interest. So because that calculation is a QVT function call  
4 that's not acceptable here. The way the sheet was produced is  
5 it hard-coded anything where there was even a part of it which  
6 was that formula.

7 But you can see that this value is slightly lower than the  
8 98 value that we saw on the ABS list where that difference is  
9 the accrued interest.

10 So then going back to -- back to the "Lehman Positions -  
11 Master" sheet, row 8, that value, 97.8794444, et cetera, that  
12 is the same mark that's in column AL and that is ultimately the  
13 value used in column AO for the market value. It takes that  
14 price divided by 100 times the notional in column C, you see  
15 that that's approximately \$8.8 million which is supposed to be  
16 \$8.99 million notional.

17 Q So is it essentially 97.88 percent of the notional?

18 A Correct.

19 Q All right. And so, if we went through each of the  
20 positions that you valued through market quotation, would it  
21 work the same way?

22 A Yes.

23 Q Okay. All right. So let's move on to those where you  
24 used a market quotation but you didn't have three or more.

25 A Sure. So if we go back to that ABS list sheet, we can see

1 the other ABS positions where -- where we didn't have -- where  
2 we didn't have levels. You can see that that varied between  
3 certain positions we had three, some we had two, some we had  
4 one. Some of the (indiscernible) we had none.

5 But if we look at, for example -- let's look at the INMAN-  
6 2004-1A-IVFL which is in row 8. There you'll see that there  
7 are two levels provided, one from Citi, one from RBS. Citi  
8 provided 100; RBS provided 98. The calculation in column M  
9 takes the average of everything between H and K which, in this  
10 case, would just be the Citi and RBS levels. The average of  
11 198 is 99 which is shown in that column.

12 And then if we go back now to "Lehman Positions - Master"  
13 and look for INMAN -- I'm going back to "Lehman Positions -  
14 Master". I am looking at row 52 which is the INMAN position,  
15 scrolling to column AD, and you can see that it's a level --  
16 the override is 98.5 approximately which, again, would be the  
17 99 level minus the accrued interest. And that's what's being  
18 used.

19 Q Okay. And if we went through all of the positions on the  
20 ABS list where there were fewer than three quotations, would  
21 the math work the same way on each of them?

22 A Yes, they would.

23 Q Okay. Did you value any of your positions using broker  
24 runs?

25 A Yes, I did.

1 Q Could you -- would you be able to isolate those?

2 A Yeah. So I'll go back to column BP. Whereas I had  
3 originally filtered to just show the list, I will now filter to  
4 just show the broker runs. And that shows 68 of 796 records.

5 Q Okay. And could you take us through an example of how you  
6 used the broker runs to value a position.

7 A Sure. So I'll just point out first that all of these are  
8 indices. All the positions valued under "Broker Run" are  
9 either indices or tranches of indices. And the indices are  
10 either the CDX index in the case of corporate. The ABX index  
11 or the CMDX index --

12 Q And before you go on, just a couple of questions. How did  
13 you decide whether to use broker run as a price source for  
14 these positions?

15 A So -- so I guess I'll offer to split it out between the  
16 CDX indices which are the corporate and the structure products  
17 indices which are the ABX and CMDX indices.

18 In the case of the CDX indices, you'll notice that all of  
19 these are off-the-run indices by which I mean that they are  
20 older. They're not the most recent index. If you look at CDX,  
21 for example, I believe the most recent CDX being valued here is  
22 CDX-5-IG which has a 12/20/2010 maturity. At the time, I  
23 believe CDX 10 would have been the on-the-run index, I think,  
24 or close to it. So these are already decently off-the-run  
25 indices. And they -- and similar -- and also the other

1 positions are the tranche positions where Markit Partners -- at  
2 least we didn't have access to Markit Partners. So basically,  
3 the off-the-run indices, I endeavor to get broker runs for all  
4 of them because, in my experience, Markit Partners was less  
5 reliable on that. I believe these are the only instances for  
6 the indices that we had, the off-the-run indices where I could  
7 find broker runs. And so I used them.

8 In the case of ABX and CMBX, there -- those would have  
9 been available in Markit Partners as well, but we didn't have  
10 access to them through Markit Partners so our only source of  
11 information for the ABX and CMBX would have been to use broker  
12 runs.

13 Q And one more question on that, when you used the broker  
14 run, what was the date of the broker run?

15 A So in the case of CDX, I -- and all the CDX indices, I  
16 believe they were always 9/15. In the case of ABX, those were  
17 also 9/15, especially if they had corresponded to the RMBS  
18 positions that were all valued on 9/15. And the CMBX indices  
19 used 9/15, 9/16 and 9/19.

20 Q And why was there the variation for CMBX position?

21 A So the CMBX positions didn't have the same corresponding  
22 positions that the ABX had. And they were valued from a  
23 replacement perspective when we thought we would be able to  
24 replace them. I don't recall why there was the variation in  
25 dates. But there wasn't as obvious the selection as the ABX

1 had.

2 THE COURT: Could you say that again?

3 THE WITNESS: Sure.

4 THE COURT: I didn't understand the beginning about  
5 the corresponding positions.

6 THE WITNESS: Sure. So if you look at all the ABX  
7 positions, they're in an account. So if I -- just as an  
8 example, I'll start at row 678.

9 THE COURT: Okay.

10 THE WITNESS: -- on "Lehman Positions - Master" --

11 THE COURT: Yep.

12 THE WITNESS: You'll see that all the ABX positions  
13 here, it goes from 678 down through 709, they're all in account  
14 Sub-Prime AAA, those ABX positions were hedges against the RMBS  
15 positions.

16 THE COURT: Got it.

17 THE WITNESS: And then the -- right. Those were all  
18 on the market quotation, 9/15.

19 THE COURT: Got it. Thank you.

20 BY MR. TRACEY:

21 Q So when it was associated with a hedged position where you  
22 had a 9/15 date, you used 9/15 for these?

23 A Yeah. And to the extent that they were -- they were all  
24 part of the same sort of collection of trades -- I mean, they  
25 were related entities. Like, these Sub-Prime AAA positions



1 existed because we had those other RMBS positions.

2 Q Okay.

3 A So that we would have thought about them similarly --  
4 correspon --

5 Q Okay.

6 A It (indiscernible), so to speak.

7 Q Okay. All right. So if you could take us through an  
8 example of how you used the broker run to value a position --  
9 just pick any one.

10 A Sure. So we start with -- the tranches are a little bit  
11 more involved. We can start with CBX 3 as an example. That's  
12 row 380. So you'll see, in column AE, it references "Reason:  
13 Goldman run" and it shows column AG, the spread is 222 and a  
14 half basis points with a recovery of .4 -- 222 and a half would  
15 have been off of the run so it would have been quoted as a  
16 spread. And then --

17 Q Be -- I'm sorry.

18 A Sure.

19 Q Before you go on. Did you retain a copy of that Goldman  
20 run?

21 A Yes.

22 Q Do you have the book in front of you, the white book?

23 A Yes.

24 Q Could you look at Claimant's Exhibit 1613?

25 A 1613, you said?

1 Q Yes.

2 A Yes.

3 Q Is that a copy of the Goldman run that you refer to in  
4 line 830 380 -- excuse me.

5 A Yes.

6 Q Okay. So would you -- first of all, could you explain  
7 this broker run, what it is, who it comes from and what it  
8 means?

9 A Sure. So this is a run that you can see it's from Andrei  
10 Saunders at Goldman Sachs. It was dated 9/15 11:30 a.m. It's  
11 -- the subject is "Off-the-run/On-the run rolls". And so,  
12 here, this kind of -- this -- you can see the -- basically,  
13 this is just a run that talks about how one would roll from CDX  
14 10 into another CDX. So it's not necessarily an outright sort  
15 of spread on any of the other runs but it gives you a relative  
16 sense of where those two -- where the off-the-run indices would  
17 trade relative to the on-the-run index.

18 So here, it shows that rolls into CDX 10 and then it gives  
19 a spread of 187 and a half. So that's saying that, at the  
20 time, CDX 10 is 187 and a half. If you wanted to roll from CDX  
21 4 into CDX 10 or vice versa, you would have to make an  
22 adjustment for the difference in spread and then these various  
23 bid offers show you how much wider or tighter the roll would  
24 be.

25 So in a case of CDX 3 as the example -- actually, if we

1 could go to -- so here, we are -- I believe CDX 3 -- I can't  
2 see it on the right-hand side. Or maybe I can -- 'cause I can  
3 go off of this.

4 (Pause)

5 A So, right. So go back to the Lehman -- the CDX 3 tab --  
6 oh, it looks like now I've lost the filtering. But here's a  
7 (indiscernible) re-filter. So it's still JW but it's -- sorry.  
8 So I'm just re-filtering on column BP on the "Lehman Positions  
9 - Master" tab. Sorry. I'm just going to re-filter on first  
10 DC. 'Cause it looks like we had lost that filter as well.

11 Q So what are you re-filtering for on BC?

12 A Sorry. Back to JW. I'm just recreating where we were.  
13 So back to BC filtered to JW. And then if I go to BP back to  
14 "List" -- and if we go to CDX -- I'm sorry -- not the "List";  
15 rather, "Broker Run" -- sorry. Filtering back BP to "Broker  
16 Run". And if we go to row 380 where it's CDX 3, you'll see  
17 that the spread used here going all the way back to AG is 222  
18 and a half. Where here, we had sole protection. So we are  
19 looking for where Goldman's bid would be. And so, you can see  
20 that CDX 3 is negative 38/negative 35. So if you take the 187  
21 and a half and add 35 to it, you would get 222 and a half which  
22 is what is shown in column AG. So that -- that's what's being  
23 used for CDX 3 IG.

24 Q Okay.

25 Q And then similar -- it would be similarly done for the

1 indices. For CDX 4, you could -- well, CDX 4 here, we had  
2 protection. I'm looking now at row 388. This is where we  
3 would be looking to replace protection that we had bought.  
4 Here, you would take 187 and a half and add the 54, if you look  
5 at CDX 4, which happens to be highlighted in this run anyway,  
6 it shows negative 54/51. So if you take 187 and a half and add  
7 54, you get to the 241 and a half value that's shown in column  
8 AG.

9 Q Okay.

10 A So then these spreads are used for these various indices  
11 and then column AD takes those spreads and converts them to a  
12 price.

13 Q Okay. And did you follow the same steps when valuing each  
14 of the positions that you valued using a broker run?

15 A Yes. I mean, there would be slight variations. For  
16 example, row 480 shows CDX 3 high yield which is from a Credit  
17 Suisse run where high yield trades in bond terms -- so rather  
18 than being quoted in spread, it's quoted in price. And then  
19 you need to convert the price to a points up front and then  
20 apply for an interest again. But it's the same concept.

21 Q Okay. And did you save each of the runs that are listed  
22 in column AE?

23 A Yes, I believe so.

24 Q All right. I'm going to ask you to look at your book and  
25 I'm going to ask you to look at certain of the exhibits and ask

1 you whether those are broker runs that are listed in column AE.

2 A Sure.

3 Q So we already talked about 1613. Could you look at 1612?

4 A Sure. 1612. Yes.

5 Q Is that a broker run that you used to value positions?

6 A So yes. Well, it's probably more precisely described as a  
7 broker run that I used in conjunction with another broker run  
8 to arrive at a mark on position.

9 Q Okay.

10 MR. ANDREOLI: Could we just ask if Mr. Wollman could  
11 scroll over so we can see column AE at 7?

12 THE WITNESS: Oh, sure.

13 MR. ANDREOLI: Thank you.

14 THE WITNESS: Okay. It's there.

15 BY MR. TRACEY:

16 Q Okay. And which positions -- can you tell which positions  
17 you used this broker run to value?

18 A Yes. So this is also a Goldman run. So this would be  
19 rows 490 and 491. So you can see that the rows above it, 488  
20 and 489, are CDX 4-IG for 5-year, where it shows a spread in  
21 rows AG, 488 and 489, of 241 and a half basis points which is  
22 what we just described. However, rows 490 and 491 are the  
23 original 10-year. So there needs to be an adjustment from the  
24 5-year to the 10-year. And so, this is what's being used to go  
25 from the 5-year to the 10-year, a spread of 16 and a half basis

1 points.

2 Q Okay. Now let me --

3 THE COURT: Can I ask a question --

4 MR. TRACEY: Yeah.

5 THE COURT: -- before you move from that quote? Mr.  
6 Wollman, on -- instead of 1613, on the screenshot of the broker  
7 run, it looks like you sent it to the Lehman QVT mailbox on  
8 Tuesday, September 16th, right, at 3:52?

9 THE WITNESS: Well, at 3:52? I see at 4:17. I'm  
10 sorry. 1613.

11 THE COURT: 1613.

12 THE WITNESS: I'm sorry, rather. I'm sorry. I was  
13 looking at 1612.

14 THE COURT: So the bottom e-mail, you originally sent  
15 it to the Lehman QVT mailbox. And it looks like you sent it  
16 back to yourself at a later point. But -- right?

17 THE WITNESS: Yes.

18 THE COURT: Okay. So -- but on the screenshot  
19 itself, right above Mr. Saunders' name, it says 9/15 at 11:30.  
20 So would that be the moment of the grab that would --

21 THE WITNESS: Oh, sorry. Well, the 9/15, 11:30 --

22 THE COURT: 9/15, 11:30.

23 THE WITNESS: Right. So I think that's actually the  
24 time that the message itself came. So Andrei's message -- I  
25 would have received it in my Bloomberg at 9/15 --

1 THE COURT: Okay.

2 THE WITNESS: -- 11:30. And then --

3 THE COURT: So you would have received it. You  
4 wouldn't have queried and grabbed it. It just would have --

5 THE WITNESS: Correct. The grab would be around --

6 THE COURT: Okay.

7 THE WITNESS: -- the time that I sent the e-mail  
8 which would be 3:52 p.m. on Tuesday.

9 THE COURT: Okay. But he generated that -- Mr.  
10 Saunders generated that at the time above his name.

11 THE WITNESS: I believe that's right.

12 THE COURT: Okay. So then go to 1612. And my  
13 confusion is that above Mr. Saunders' name, it says 9/11.

14 THE WITNESS: Right. So -- and that -- so that would  
15 have been sent on 9/11. So the issue is that I didn't have a  
16 run on 9/15 for the 10-year. So the 1613 would have been the  
17 levels on 9/15 for the 5-year CDX which was the more liquid of  
18 the --

19 THE COURT: Hold on. Hold on. Hold on.

20 THE WITNESS: Sure.

21 THE COURT: I lost you on the numbers.

22 THE WITNESS: I'm sorry.

23 THE COURT: You just said 1613. We're looking at  
24 1612.

25 THE WITNESS: Sorry. So -- sorry. So -- right. As

1 a factual matter, 1612 would have been a run that I received on  
2 9/11.

3 THE COURT: Okay.

4 THE WITNESS: I was taking the next step of -- I'm  
5 sure while I was still --

6 THE COURT: Okay. Go ahead.

7 THE WITNESS: -- considering this --

8 THE COURT: Okay.

9 THE WITNESS: -- a 9/15 --

10 THE COURT: Go ahead.

11 THE WITNESS: Sorry.

12 THE COURT: You can finish.

13 THE WITNESS: I'll slow down.

14 THE COURT: Slow down.

15 THE WITNESS: So in computing the spread for this  
16 position, the CDX 4-IG-150620\_DS8 --

17 THE COURT: Yes.

18 THE WITNESS: -- I need to know what the spread is  
19 for that maturity.

20 THE COURT: Okay.

21 THE WITNESS: We looked at 1613 which showed what the  
22 spreads were for similar indices but shorter-dated.

23 THE COURT: Okay.

24 THE WITNESS: My recollection is that there were no  
25 runs that showed what the spot -- what the 10-year spread would



1 have been. So under the assumption that the steepness of the  
2 curve didn't change, i.e., the spread between the 5-year and  
3 the 10-year would have been similar across that time. I used  
4 that same steepness and applied it to the 9/15 level. But I  
5 should have been more precise in saying that this is a  
6 combination of those two runs.

7 So it's -- the 9/15 anchors where the 5-year thing  
8 that says -- or -- the original 5-year and then this is  
9 necessary to account for the term structure.

10 THE COURT: Thank you.

11 BY MR. TRACEY:

12 Q Okay. Can we turn to Claimant's Exhibit 2140.

13 A Yes.

14 Q Can you describe what that document is?

15 A Yes. So this is a run that was sent by Zichron Yadav (ph)  
16 at JPMorgan, Monday, September 15th, 2008, 7:36 p.m. It's  
17 titled "CDX 4 Tranche Indication".

18 Q And did you use that broker run to value any of these  
19 positions?

20 A Yes, I did.

21 Q Can you --

22 MR. ANDREOLI: Your Honor, I'm sorry. Can I  
23 interpose --

24 THE COURT: Yes. I'm sorry.

25 MR. ANDREOLI: -- an objection? Can we just get some

1 clarification on what the "From" line is here in the top e-  
2 mail?

3 THE COURT: On 2140?

4 MR. ANDREOLI: Yes.

5 THE COURT: From "Searcher".

6 MR. ANDREOLI: Right.

7 BY MR. TRACEY:

8 Q Do you know what "From Searcher" is?

9 A Yes.

10 Q What is it?

11 A So when this was sent, we wouldn't have access to our  
12 Bloomborgs back in 2008. It had been six years later. So we  
13 had the ability in this searcher account to search our  
14 historical Bloomborgs. So this is -- in 2014, if I tried to  
15 pull up a Bloomberg that I received in September 2008, I  
16 wouldn't be able to do that. But we had an archive of those  
17 Bloomberg separately.

18 THE COURT: Okay. Hold on one second.

19 MR. ANDREOLI: So I guess we just want to be clear.  
20 This e-mail wasn't preserved in the same fashion as everything  
21 else?

22 MR. TRACEY: I can ask him.

23 BY MR. TRACEY:

24 Q Was this e-mail preserved or is this a Bloomberg?

25 A This is a Bloomberg, yes.

1 Q Okay. Was the Bloomberg from Zichron Yadav saved in any  
2 way back in 2008?

3 A I'm not sure.

4 Q So this particular one, you went and got in 2014?

5 A Yes.

6 Q But is this the broker run that you relied on in September  
7 of 2008 to value those positions?

8 A Yes.

9 THE COURT: And how do you know that?

10 THE WITNESS: Well, so, first off, my recollection,  
11 because JPMorgan was the only one who was sending CDX 4 runs.  
12 And I believe this would have been the only CDX 4 run. But  
13 more precisely, the prices match.

14 THE COURT: Anything more from this side of the room?

15 MR. ANDREOLI: I think we're going to do it on cross.  
16 Thank you, Your Honor.

17 THE COURT: Okay.

18 BY MR. TRACEY:

19 Q Did you tell us what positions you valued using this run?

20 A So with respect to these positions that we're talking  
21 about now, the broker run positions, it would have been rows  
22 184 through 187, CDX 4-IG-0\_3-100620\_DS 6 and DS 7 and their  
23 Quintessence counterparts.

24 Q Okay. Let me take you to Joint Exhibit 109.

25 MR. ANDREOLI: Sorry, Your Honor.

1 THE COURT: Yes, Mr. Andreoli.

2 MR. ANDREOLI: Could we just see AE for that? Can  
3 you (indiscernible) spreadsheet --

4 THE COURT: Yes.

5 MR. ANDREOLI: -- for a second?

6 (Pause)

7 THE WITNESS: So -- so if you -- sorry.

8 MR. ANDREOLI: Thank you.

9 MR. TRACEY: Okay?

10 MR. ANDREOLI: Thank you.

11 BY MR. TRACEY:

12 Q So let's go to Joint Exhibit 109. Can you describe  
13 that --

14 A Sorry.

15 Q Sorry. 109.

16 A Joint Exhibit 109.

17 Q The beginning, yes.

18 A Yes.

19 Q Can you describe that document for the Court, please?

20 A Yes. This is a Bloomberg that I had received from Robert  
21 Lynn (ph) at Credit Suisse on 9/15 at 17:11 or 5:11 p.m. that  
22 has bids and offers on various CDX high yield indices, Series 3  
23 through 10.

24 Q Okay. And did you save this at the time?

25 A I sent it to Lehman at QVT on September 16th at 4:31 p.m.

1 Q And did you use this broker run to value any of the  
2 positions on 2108?

3 A Yes, I did.

4 Q Can you just describe which ones?

5 A Sure. It's rows 480 through 483. Those are the  
6 CDX 3-HY-091220\_DS10 and DS7.

7 Q Okay.

8 A Yeah. I can't really -- and you can see -- if I go all  
9 the way to the right, it says in column AE, "Credit Suisse Run"  
10 and column AF says "Marked at 99 and an eighth/101 and an  
11 eighth which are the prices that you see at the very bottom of  
12 this run.

13 Q Can you show us where those are?

14 A Sorry. On the run?

15 Q Yeah.

16 A The last line says HY-3-96S. It says "Maturity  
17 (indiscernible) 09". It says "Bid 99 1/8" and "Offer 101 1/8".

18 Q Turn to Joint Exhibit 72.

19 A Joint Exhibit 72, you said?

20 Q Yes.

21 A Yes.

22 Q Can you describe that document?

23 A Yes. This is a -- well, it's a series of screenshots that  
24 I had sent to Lehman at QVT on September 16th, 2008 at 2:43  
25 p.m. They are ABX closing levels from Rachel Rhode (ph) at

1 Deutsche Bank. The original timestamp on those runs were 9/15  
2 at 16:56 p.m.

3 Q Okay. And did you use those to value any positions?

4 A Yes. So these were used for all of the ABX positions in  
5 rows 678 down to 709.

6 Q Okay. And if you can just show us where it refers to the  
7 run?

8 A Sure. So you can see that it says -- well, so in column  
9 AE, I'm looking at row 678. It says "DB Run".

10 Q And all those references to "DB Run" are to JX72?

11 A Yes.

12 Q Can you turn to 2141 -- Claimant's Exhibit 2141?

13 A Yes.

14 Q What is that document?

15 A So this is a -- this is a message that I sent to Lehman on  
16 September 21st, 2008. It's a forward of CMBX update from Asim  
17 Khan at Morgan Stanley that has CMBX runs.

18 Q And did you use this to value any positions?

19 A Yes, I did.

20 Q Which ones?

21 A So if we go back to the spreadsheet -- so this is the one,  
22 the 061 DDD minus. It says "Using 1550 offer" -- so I'm  
23 looking at cell AF610. And it says "Using 1550 offer from MS  
24 9/15 and Market Calculator".

25 Q Okay. Could you turn to Claimant's Exhibit 1606? Can you

1 identify that document?

2 A Sure. Claimant's Exhibit 1606.

3 Q 1606.

4 A Sorry. There it is. Yes.

5 Q What is it?

6 A It's a message that I sent to myself and I'm not sure if  
7 anyone else where it says "JPM CMDX Very indicative cause to  
8 trade". It's from Andy Taylor at JPMorgan. And it's a bunch  
9 of CMDX runs as well.

10 Q Okay. And why did you send this to yourself in October of  
11 2009?

12 A Well, it says -- at the top, it says "Use this as source  
13 for CMDX 062 BBB minus". But these are the supports for -- on  
14 the spreadsheet where it refers to the JPMorgan 9/16 run.

15 Q And just to be clear, did you use this Bloomberg from Andy  
16 Taylor at JPMorgan Securities in September and October of 2008  
17 to value these positions?

18 A Yes, I did.

19 Q And which positions?

20 A So if we go back to the spreadsheet, we can see for the  
21 CMDX positions -- so rows 212 and 213 where it says 216 -- in  
22 cell AF212 and AF213, it says "2165 offer on 9/16 JPM run,  
23 entered into market calculator". So that's for the  
24 CMBX-06-2-BBB-minus-490315-87\_DS1.!. And then there are the  
25 other CMBX runs from rows 604 through 613, excluding rows 610

1 and 611, also all reference the JPM 9/16 run in the -- in  
2 column AF.

3 Q Okay. If you could turn to Claimant's Exhibit 1557. Can  
4 you identify that document?

5 A Yes.

6 Q What is it?

7 A It's a message I sent from myself to Lehman on Sunday,  
8 September 21st, 2008. It's forward of DB CMBX markets and it's  
9 from Steve -- well, it's a forward from Michael George at  
10 Deutsche Bank on 9/19 13:32 of a forward from Steven Schwartz  
11 of a message at the same date at 13:26 with DB CMBX markets.

12 Q And did you use this run for valuing any positions?

13 A Yes, I did.

14 Q For which ones?

15 A So if you go back to the spreadsheet, so row -- so row 216  
16 and row 217, those are CMBX-06-2-AA-490315\_DS12.!. Column AF  
17 says "400 bid on 9/19 DB run, entered into market calculator".

18 Q Okay. And have we -- if you can tell me, have we covered  
19 -- have we identified all the broker runs that are listed in AE  
20 for your broker run positions?

21 A Yes. I believe we have.

22 Q Okay. Let's move on to Markit Partners. Did you use any  
23 -- did you use Markit Partners information to value any of your  
24 positions?

25 A Yes, I did.



1 Q And can you show those to the Court, please?

2 A Yes. So if I go to column BP and filter instead for  
3 "Market" -- I was previously on "Broker Run"; now I am  
4 selecting "Market". And that filters down to the relevant  
5 positions.

6 Q And how many positions did you value using Markit  
7 Partners?

8 A So I'm losing the filtering -- I can't seem to see the  
9 summary information on the bottom. So -- I don't know why that  
10 is. I can count them but that might take a little while. It  
11 would be -- actually, I could probably do a formula to subtotal  
12 this. But it would probably be easier if I could just see the  
13 bottom of the screen.

14 MR. TRACEY: John, can you help on that? You can't?  
15 Okay.

16 BY MR. TRACEY:

17 Q All right. Well -- so --

18 MR. ANDREOLI: Can he close it and reopen it?

19 THE WITNESS: We could do that. It would require me  
20 to re-filter but that's relatively quick. I can do that.

21 MR. TRACEY: (Indiscernible)?

22 (Pause)

23 THE WITNESS: Okay. So if I go back to "Lehman  
24 Positions - Master" --

25 (Pause)

1 THE WITNESS: Sorry. Slight technical difficulty.

2 (Pause)

3 MR. TRACEY: Sorry, Judge.

4 THE COURT: It's okay.

5 (Pause)

6 THE WITNESS: Okay. So if I go back to "Lehman  
7 Positions - Master" and if I go -- filter quickly on BC back  
8 to JW and if I go to BP and go back to "Market" -- okay. It  
9 shows 58 of 796 records and these are those positions.

10 BY MR. TRACEY:

11 Q Okay. And if you would, let's start with the dates that  
12 you used for Markit Partners information.

13 A Yes.

14 Q Would you describe for the Court what dates you used for  
15 Markit Partners information and why?

16 A Sure. So you can see if you filter on column Y, you can  
17 see -- those are the dates used for Markit Partners. You can  
18 see that they were either September 15th, 16th or 17th. And  
19 they were selected based upon generally on the liquidity of the  
20 instrument. So those positions that were most liquid and we  
21 thought we could replace on 9/15, 9/15 was used. Less liquid,  
22 especially in light of the fact that the market quotation  
23 process had failed, positions would be on 9/16. And then those  
24 positions that were less liquid still would have been used on  
25 9/17. Typically, those were the shorter dated off-the-run

1 positions.

2 So as we go through these positions, it might be clearer.

3 THE COURT: So are you saying that -- I'm sorry. May  
4 I?

5 MR. TRACEY: Sure..

6 THE COURT: So you're saying that when market  
7 quotation -- you're calling the failure of market quotation  
8 with the liquidity of the instrument?

9 THE WITNESS: That was -- that was a component of it.  
10 But basically, the -- I guess, I would say --

11 THE COURT: Is that the hypothesis --

12 THE WITNESS: Well, the entire exercise was to  
13 determine what our replacement cost would be for various  
14 positions. If we received something back on the market  
15 quotation list that we sent out, that indicated that at least  
16 certain dealers were willing to offer it. We could have  
17 potentially transacted at that level. Strong reason to suggest  
18 that 9/15 was when we could have done it at that price even  
19 though some of them had come back later one. At least you had  
20 a level that was supposed to reflect 9/15 pricing.

21 For other securities where we didn't even get that,  
22 we had to figure out, well, where would we have replaced them  
23 as we wouldn't even have known that we wouldn't have gotten the  
24 levels until the subsequent day. 9/16 was, in principle, the  
25 earliest we could have done it. So arguably, 9/16 would have

1 been when we replaced it. That's at -- I used 9/15 on certain  
2 cases that -- and you'll see why. For example, on some of the  
3 CDX 4 indices, as I have used broker runs on 9/15, I harmonized  
4 that for CDX 4, a different CDX 4 index. But in general, it  
5 was 9/16 or later reflecting the fact that that is when we  
6 would have been able to replace it. That sort of would have  
7 been the earliest we would have been able to replace it.

8 And then to the extent that even then, we could have  
9 had information on 9/16 with respect to Markit Partners, but  
10 you'll see some of the positions are particularly off-the-run.  
11 And there are other as -- other positions that are particularly  
12 illiquid. And for those positions, I didn't believe that we  
13 would have been able to replace those on 9/16 either. And so  
14 9/17 was used in those cases.

15 THE COURT: Thank you.

16 BY MR. TRACEY:

17 Q So you tied the date to when you thought you could have  
18 replaced it. Why couldn't you just replace -- why couldn't you  
19 have just replaced all the transactions, all 836, on September  
20 15th?

21 A Well, there are, I guess, a few reasons. First, 836 is a  
22 big number. And I don't know logistically that we could have  
23 even done that even if we knew that that was the only thing we  
24 could have done -- if that was the only thing we had to do that  
25 day and we put all of our traders on doing it, I don't know

1 that we logistically could have done that.

2 But more importantly, I would say that we didn't know that  
3 the market quotation process was -- how it was going to turn  
4 out until it was over. And it wasn't even really over until  
5 the morning of 9/16 in terms of when we got levels back. So  
6 from that perspective, you would have had to go back in a time  
7 machine and sort of say you knew that you -- you would have  
8 known in advance that the process was going to fail and so you  
9 needed to start -- go ahead and, you know, (indiscernible). We  
10 didn't know that when we had conducted a market quotation.

11 Q Okay. Well, why don't we take a couple of examples?  
12 Could you take us through maybe an example of where you used  
13 September 15th and why?

14 A Sure.

15 Q And then we'll go to the other one.

16 A Sure. So we can just filter on 9/15. So you'll see there  
17 are 10 of those transactions. As I alluded to before, the  
18 first sets correspond to CDX 4-H (indiscernible) and CDX 4 --  
19 those are in rows 180 through 183. And CDX 4 HYBB, which are  
20 in rows 386 through 387.

21 As I mentioned when we were talking about broker runs, I  
22 would have preferred to have just used a broker run on these as  
23 they were off-the-run indices, but I don't recall being able to  
24 find any broker runs. So I had no choice; I couldn't use  
25 broker runs on these. And so, Markit Partners -- there was

1 information available. And to the extent that we used CDX 4  
2 pricing on 9/15, I used 9/15 pricing on these indices as well.

3 The next two sets of securities are HSDC Finn (ph) and  
4 UNH. These are rows 446 through 447 and then 768 through 769.  
5 Again, arguably, I -- it was a judgment call here in terms of  
6 9/15 or 9/16. I'll note that these are closer to on-the-run  
7 and positions were between 10 to 15 million or so which was a  
8 little bit bigger but not massive. And they were slightly  
9 tighter securities. So that -- I should say, I don't recall  
10 precisely why I used 9/15 but there was -- I was trading off  
11 various factors in determining 9/15 versus 9/16 and ultimately  
12 I arrived at 9/15 for these positions.

13 Q Okay. Could you give us an example of where you used  
14 9/16?

15 A Sure. So I'll just go through the 9/16 positions. So  
16 you'll see there are 12 of those. The first four positions are  
17 rows 396 through 399, CFC 120920\_DS11 and DS12. There, this  
18 used 9/16. CFC having been -- having been acquired by Bank of  
19 America, that was a little bit less liquid. That part might  
20 have influenced why 9/16, but again, I'm not sure on this  
21 particular why I used 9/16 versus 9/15. But again, it was the  
22 same judgment, 9/15 versus 9/16 on this one.

23 MR. ANDREOLI: Objection. Move to strike, Your  
24 Honor. The witness is clearly saying he doesn't remember why  
25 he did this but then he's offering explanations.

1 MR. TRACEY: I'll rephrase.

2 THE COURT: Okay.

3 MR. ANDREOLI: And that's the prior answer as well --

4 THE COURT: Okay. Got you.

5 MR. ANDREOLI: -- on the 9/15.

6 BY MR. TRACEY:

7 Q So can you state whether you recall the app -- well, can  
8 you state whether you can recall the application of those  
9 criteria that you referred to back in September of 2008 as to  
10 these positions?

11 A I cannot specifically recall.

12 Q Okay. But can you recall the criteria that you used in  
13 general?

14 A Yes.

15 Q Okay. And what were those criteria?

16 A So as I -- so this may be a bit repetitive from what I was  
17 saying before but, in general, I was trying to determine what  
18 the best date would be on a position by position basis for when  
19 it would have likely been replaced. And the decision about  
20 when it would have been replaced in the portfolio would have  
21 largely been a function of the liquidity of the position.  
22 Those that were most liquid could be replaced the soonest.  
23 Those that were least liquid, it would take longer to replace  
24 both because just in prioritizing, we would choose to  
25 prioritize the more liquid ones under the hopes that we could

1 get quicker answers for, as well as the fact that if they're  
2 illiquid, just by definition, they take more time to source.

3 So as a result of that, that's the condition. In terms of  
4 what influences liquidity itself, it would be the size of the  
5 position, how close to on-the-run this position was. So the  
6 closer to on-the-run five-year, all else being equal, the more  
7 liquidity; the smaller the position, all else being equal, the  
8 more liquidity.

9 And then the position itself, there are certain names that  
10 are just more liquid in the market than others. And so those  
11 names will factor in as well.

12 THE COURT: So just one quick follow-up. Was your  
13 first choice in every respect across the board to replace if  
14 you could?

15 THE WITNESS: So when you said -- if we did --

16 THE COURT: To actually replace.

17 THE WITNESS: So if we -- you're saying if we did a  
18 replacement trade?

19 THE COURT: Yeah. If --

20 THE WITNESS: Yes.

21 THE COURT: You know, if a miracle had occurred,  
22 right, and there were -- the (indiscernible) would have been  
23 extended to 48 hours. I mean, you had said before --

24 THE WITNESS: Yes.

25 THE COURT: -- that 834 positions, if you put every



1 trader on it, it would have been impossible. But by  
2 implication, I think -- I'm asking, was the first choice to  
3 replace --

4 THE WITNESS: So --

5 THE COURT: -- to actually replace?

6 THE WITNESS: So just to be clear, is your question  
7 did we want to replace every position in our portfolio if we  
8 could have? That's not necessarily the case because some  
9 positions would have widened out a great deal and it might not  
10 have made sense to then replace --

11 THE COURT: Okay.

12 THE WITNESS: -- those wider levels.

13 THE COURT: Okay.

14 THE WITNESS: But to the extent that we would have  
15 wanted to replace it, if we had -- if we could have replaced it  
16 as an attractive level on that day, we would have endeavored to  
17 do so.

18 THE COURT: Or on the next day.

19 THE WITNESS: Or on the next day or whenever we could  
20 have. And you can see, there are certain trades where we did  
21 replace because either they were so necessary that we had to  
22 replace. And how ever long it took to do it, it took to do it  
23 and we did it. And there are other positions where we would  
24 have replaced because both we wanted to replace it and it was  
25 at a reasonable level to do it and so we would have done so.

1 And then there are other positions that we didn't replace for  
2 either of those reasons or others as well.

3 But the point about replacement that I'm making is  
4 just the general framework for deciding how it is that we're  
5 valuing it. We were thinking about it from the perspective of  
6 we bought these positions, we want to replace them, what's the  
7 price that we would have replaced them at if we could have.  
8 And whether or not we wanted to at those levels, that's what  
9 we're trying to calculate.

10 THE COURT: Thank you.

11 BY MR. TRACEY:

12 Q Okay. Let's turn to the bid-mid spread that you applied  
13 to these positions.

14 A Sure. Did you want me to finish the 9/16 or did --

15 Q Well, I guess the only question is, other than recalling  
16 that you used those criteria that you just described, do you  
17 have any specific recollection of the application of those  
18 criteria in any of these positions?

19 A Right. The application for some of these positions, the  
20 application of that criteria, yes.

21 Q You have a memory of what you --

22 A Yes.

23 Q -- how you applied them?

24 A And you can see, for example, that the DSCs are shorter --  
25 are off-the-runs. They're two years and seven years.

1 MR. ANDREOLI: Objection, Your Honor. Again, is he  
2 saying what he did in 2008 or is he just looking at the  
3 spreadsheet and talking about it?

4 THE WITNESS: So --

5 BY MR. TRACEY:

6 Q The question is --

7 A Right.

8 Q The question is do you recall the application of those  
9 criteria back in 2008 to these specific --

10 A To this --

11 Q -- positions.

12 A Right. To this, specifically, the BSC? No.

13 Q Okay. To any of the positions that are up on the screen.

14 A No.

15 Q Okay. All right. So let's go to the bid-mid spread.

16 A Yes.

17 Q Would you describe what approach you took to -- well,  
18 actually, let's go to 9/17 first. We didn't cover that.

19 A Sure.

20 Q Did you apply the same criteria when you valued the  
21 positions that -- where you used the 9/17 date?

22 A Yes.

23 Q And do you have any memory, again, on -- I'm only asking  
24 you if you recall valuing these positions back in  
25 September/October 2008 the application of those principles.

1 A With respect to one of these positions, yes.

2 Q Okay. Why don't you tell us about that?

3 A The Citadel position.

4 Q Okay.

5 A So if you look at rows 428 through 435, so that's  
6 CITDEL-111220\_DS1 and then there are other ones of different  
7 dates, you can see an aggregate. There's approximately just  
8 under 40 million of notional across all of Citadel. And you'll  
9 also see that I have a note, in column AF, which talks about  
10 using six percent bid-mid -- this is -- I am in cell AF428.  
11 And it says, "Using 6% bid-mid (since 365 415 market on 9/12)".

12 So one thing to point out is this is the only position  
13 where I used six percent bid-mid. All the other positions are  
14 ten percent bid-mid. You'll notice that I'm using the six  
15 percent bid-mid because I had referenced a market that was made  
16 on 9/12. So this was a dealer run that went out on 9/12 that  
17 showed generally how wide this position was. However, I used  
18 9/17/2008 for this position even though it appears to be close  
19 to on-the-run. And I remember specifically looking for broker  
20 runs for Citadel. It was a hedge fund. There were other  
21 reasons why we would have been interested to know how Citadel  
22 was behaving during this time. There were no broker runs that  
23 could be found during this week or for some period after as I  
24 conducted this ending in October 15th.

25 Further, I noticed that Markit Partners pricing

1 information was stale; it had barely moved between 9/12 to 9/15  
2 or 9/16. And 9/17 was the only -- was the first movement in  
3 the position. 9/16 actually looks like it tightened -- sorry.  
4 9/18 looks like it tightened. Then 9/19 -- then it continues  
5 to go back to the original levels for the remainder over the  
6 period that I was looking at it.

7 And so, this was a situation where I specifically used  
8 9/17 because the information that I saw on 9/15 and 9/16 just  
9 looked so stale as to be -- as to be not credible to me.

10 Q Okay. So I think that's a good segue into the bid-mid  
11 spreads. You said that's the only position where you didn't  
12 use ten percent. Could you describe for the Court the criteria  
13 you used in September/October 2008 to apply a bid-mid spread to  
14 the markit position?

15 A So -- right. So ten percent was used in all other  
16 instances and it was the default, as you can see in column W1.  
17 We also had talked about the bid-mid spread as it applied in  
18 the first iteration of the spreadsheet where it was defaulted  
19 to 15 percent. That's the level that I had just put in for the  
20 sake of the calculator.

21 In discussions with -- so I don't recall specifically how  
22 we arrived at ten percent. So I don't know what was the reason  
23 why it was ten percent as opposed to nine percent as opposed to  
24 eleven percent. But I do know that, generally, in our system  
25 for month-end purposes on Markit Partners, during regular

1 times, five percent was the default bid-mid spread that we  
2 would use just for marking positions. So when Markit Part --  
3 even though we would mark our portfolio at the mid each month,  
4 and so, in some sense, the bid-mid is irrelevant because you're  
5 just going to use the mid anyway, for the purposes of marking,  
6 we still applied a bid-mid spread in Markit Partners that would  
7 come in on month-end pricing and that was five percent.

8 And I know that was part of the logic for the discussion  
9 about well, so, what should it be in this sort of environment.  
10 And so, I don't know -- and so, again, so I don't know why we  
11 agreed on ten percent, but I know that we knew that conditions  
12 were worse than they normally were and there was an effort to  
13 reflect that. Also the fact that most of our positions were  
14 not on-the-run positions. They were off-the-run positions in  
15 various sizes.

16 And so, this was -- there was also discussions -- I know  
17 it was primarily with Arthur and Yu Sen about deciding what  
18 would be a reasonable default given our portfolio and the  
19 circumstances on 9/15. And so, we had arrived at that number  
20 and that's the number that I used, again without exception  
21 except for -- with the only exception, rather, being the  
22 Citadel case.

23 Q Okay. Let's turn to "Calculation". Were there positions  
24 that you valued using --

25 THE COURT: Mr. Tracey, if you're going on to a new

1 topic, I think it would be a good idea to take a short break.

2 All right?

3 MR. TRACEY: Sure.

4 THE COURT: Is this --

5 MR. TRACEY: Yes. This is a great time.

6 THE COURT: -- now a good point -- okay. So let's  
7 just take six minutes. We'll come back 10 minutes to the hour  
8 and then we'll go to 12:30 on the dot.

9 MR. TRACEY: Okay.

10 THE COURT: All right?

11 MR. TRACEY: Great.

12 THE COURT: Do you think that you'll finish with Mr.  
13 Wollman?

14 MR. TRACEY: I'll finish well before then.

15 THE COURT: Okay. Great.

16 (Recess from 10:45 a.m. until 10:57 a.m.)

17 THE COURT: Okay.

18 MR. TRACEY: Okay. Thank you.

19 DIRECT EXAMINATION (RESUMED)

20 BY MR. TRACEY:

21 Q So before the break, we were -- I had asked you whether  
22 you valued any positions using the calculation method. Do you  
23 recall that?

24 A Yes.

25 Q And did you?

1 A Yes, I did.

2 Q Are you able to identify those trades?

3 A Yes. So we can go to column BP again. And change it from  
4 -- let's see. Let's see what is there. Well, I need to  
5 unfilter some stuff. So I'm just unfiltering the dates in  
6 column Y that were previously used for discussing Markit  
7 Partners. And I am now going to column BP again and selecting  
8 "Calculation".

9 Q What does "calculation" mean?

10 A So calculation is pretty much whatever's left. So for --  
11 for positions where we didn't have market quotations, any  
12 responses, or replacement trades or broker runs or markit,  
13 ultimately, we needed to arrive at a value on all of our  
14 positions. And so, these are where we use a calculation or  
15 some sort of proxy to calculate the value for a position that  
16 wasn't otherwise -- didn't otherwise have sources for it.

17 Q Okay. And do they fall into subcategories or groups?

18 A There are breakouts between them. There's the -- all the  
19 implied write-down -- the full write-down positions that I had  
20 talked about yesterday would all be cal -- would all be --  
21 would be one category. And then there's -- and there are a few  
22 other positions that have similar methods. But each position  
23 is slightly different.

24 Q Okay. Well, why don't we just go through one example?  
25 Can you choose -- just choose an example where you used the



1 calculation method that would be illustrative.

2 A Okay. So -- okay. So for any of these, I guess, one  
3 example would be the way I dealt with -- let's say for  
4 argument's sake, the -- I'll just -- I guess I'll just go with  
5 the first one that's after all the implied write-down.

6 So the first set, rows 19 through 67, are all zero claim  
7 positions. So in some sense, they're kind of -- you know, not  
8 even particularly relevant, but they are positions that we had  
9 on and so we kept them at zero value.

10 The CDX 4 high yield 10 -- so on row 172, "Type by" is CDX  
11 4-HY-10\_15-100620\_DS2. If you look at -- if you look at column  
12 AF, it says, "Using four point back to 20.75 offer". So I  
13 don't know if you recall, but in one of the responses that we  
14 received yesterday from Morgan Stanley with respect to the CDX  
15 tranches, he provided offer levels on both the CDX 4 and the  
16 CDX 3 high yield tranches. In the case of the CDX 4, we were  
17 actually looking for a bid, not for an offer. So we had the 20  
18 and three-quarter offer that he had responded on the market  
19 quotation, but we didn't have a corresponding bid. So in here,  
20 the calculation that we did is we assumed that there was a four  
21 point bid offer on that tranche. And so, if it was a 20 and  
22 three-quarter, we assumed a 16 and three-quarter bid. So that  
23 value -- we used 16 and three-quarter to -- 16 and three-  
24 quarters points up front to value this security.

25 THE COURT: Where did you get the four from?

1 THE WITNESS: That was sort of just a judgment that  
2 we used based upon how illiquid these tranches are and that it  
3 would be somewhere in the -- that context. But there wasn't  
4 anything more specific than that.

5 BY MR. TRACEY:

6 Q And can you look at Claimant's Exhibit 1402, just on that  
7 one?

8 A Yes.

9 Q Is that the broker run you were referring to?

10 A Yes, it is.

11 Q And where is the 20.75?

12 A So if you go to the bottom e-mail from TJ Parmar (ph), he  
13 says, "My closing offers on these are" and the next line is  
14 "HY-4 10-15:/" -- there's no bid, then there's just a slash and  
15 then it says 20.75. So I read that as -- and he says closing  
16 offers. So I read that as a 20.75 offer as opposed to a bid.

17 Q Okay. I think you referred earlier -- well, let's look at  
18 -- I think you referred earlier to the MLMI position. Could we  
19 look at that one, row 676?

20 A Yes.

21 Q Could you describe for the Court what that position was  
22 and how you valued it?

23 A So this was a pay-as-you-go CBS on an RMBS security. And  
24 I didn't have a run on this so I used ABX061BBB and BBB minus  
25 as a proxy. So you can see, in column AF and cell AF676, the

1 note says, "Using 7.5 bid on ABX061BBB/BBB minus". So I used  
2 the ABX as a proxy.

3 Q And can you look at Joint Exhibit 72?

4 A Yes.

5 Q Is that the run that you used to value the MLMI?

6 A Yes.

7 Q And what did you specifically use in here?

8 A So if you go to the last page, page 3, you can see that at  
9 the very bottom, it says, I think it's asterisk asterisk  
10 ABX.HE.06-1\*\*. And then it shows, at the bottom, BBB/BBB  
11 minus. And it shows 7-16/10-16. So these are in tics. So  
12 16-30 seconds, which is half a point. So that's the seven and  
13 a half points that I was referring to.

14 Q Okay. Okay. And I think you referred earlier to  
15 unsettled trades as another category.

16 A Yes.

17 Q Is that something that you can isolate on this  
18 spreadsheet?

19 A Yes. So this requires going down below to row 802 where  
20 you can see, cell A802 says "Unsettled Trades". You'll see  
21 that there are actually a few different components of unsettled  
22 trades. There's all the unsettled trades listed between rows  
23 803 to 834. Then there's the notion of partial unsettled  
24 trades. So these are trades where there were trades done but  
25 they weren't on the whole position; they were only on part of

1 the position that we had with Lehman. And then there's another  
2 section below -- then there's another unsettled trades, DB CBS,  
3 but we can ignore that as that's not relevant in this matter.  
4 But if you look at row 846, there's also an implied write-downs  
5 deliver that relates to implied write-downs or attempted  
6 physical delivery on some RMBS securities. So these are also  
7 attempted transactions that never settled.

8 Q So can you just state the run numbers where there are  
9 unsettled trades that are involved in this case?

10 A So -- I guess it also sort of means exactly what you mean  
11 by trades. But purely -- so using that whole universe, I would  
12 consider it to be unsettled trade of some sort. So I would --  
13 I would consider those to be rows 803 through 834, then rows  
14 836 through 841, and then rows 847 through 854.

15 Q Okay. And can you describe for the Court how you valued  
16 unsettled trades for purposes of the claim?

17 A Right. So just to just be clear about what I'm talking  
18 about when I say unsettled trades, these are transactions that  
19 we had entered into with Lehman prior to September 15th but  
20 insomuch as they took time to settle and hadn't actually  
21 settled by the time that Lehman had filed, they didn't actually  
22 go through. And we kept the original positions on our -- on  
23 our books because in most instances, these trades were unwinds  
24 or were attempted unwinds of positions that we had on with  
25 Lehman and as I think others have described, in an effort to

1 bring down our risk and to reduce the number of positions we  
2 had, we attempted to sell some of these securities in advance  
3 of their filing. And while we had agreed on pricing on some of  
4 those, they hadn't actually settled. And so, in general, these  
5 are all positions that would otherwise be part of our claim but  
6 for the fact that we're breaking them out separately.

7 THE COURT: Does this sort differently for unwinds  
8 versus new trades?

9 THE WITNESS: There's no -- there isn't -- I don't  
10 believe there's anything that breaks that out. I believe,  
11 though, if you look at the notes in column AF, I believe it's  
12 principally rows 831 through 834, where it talks about some ABX  
13 trades we did that were new trades where it says we bought and  
14 sold this in the cases of rows 831 and 832. And in the cases  
15 of rows 833 and 834, it talks about we bought and what  
16 replacement cost would have been. But I believe the other  
17 trades are all situations where we had a position with Lehman  
18 originally and we were attempting to unwind it.

19 THE COURT: Thank you.

20 BY MR. TRACEY:

21 Q And so, how did you value the unsettled trades positions?

22 A So we just used the actual money that we had agreed to at  
23 the time of the trade.

24 Q So if you had agreed to unwind a trade for 100 basis  
25 points, you would use that sale price?

1 A Yes.

2 Q And did you consider using the same methods that you used  
3 for the other positions on the unsettled trade?

4 A Right. So -- and I think we could have done that. And,  
5 in fact, you can see in the case of the partial trades, there  
6 are the exact same positions where we've already valued them  
7 for purposes of the claim where we hadn't traded them. But to  
8 the extent that we -- even though Lehman had failed, to the  
9 extent that we had agreed to do the trade earlier, we were  
10 still effectively giving them the benefit of that pre-filing  
11 price.

12 Q And if you had valued these trades using your normal  
13 procedures, would it have been favorable to QVT or to Lehman?

14 A It would have been favorable to QVT if we used the prices  
15 prevailing after their filing.

16 I mean, you can see it on the -- you can see it on the  
17 unsettled partial trades. Those are positions where you see  
18 the price that we used in the claim for these and there's the  
19 identical position that would not -- the part that we hadn't  
20 traded where that shows up in the claim otherwise.

21 Q And just to be clear, why are the prices higher when its  
22 value using other approaches as opposed to the actual agreed  
23 price that Lehman gave you?

24 A Right. So in the vast majority of cases, we are -- this  
25 is -- we are selling protection. So, first of all, in the

1 course of selling protection, we are selling it to the bid side  
2 of the market. So when we go to unwind a trade, the dealer is  
3 going to show us -- you know, where selling protection, they're  
4 showing the bid. If we were replacing, we're replacing it at  
5 the offer side of the market. So even if there was no change  
6 in the level of the market, just at bid-ask, the replacement  
7 cost would be higher than where we had sold. So there's the  
8 bid offer spread.

9 But then on top of that, these are trades that primarily  
10 happened on September 11th. And those would have been at  
11 spreads that are tighter than spreads that you would have seen  
12 on 9/15.

13 Q Okay. Let's go back to the spreadsheet. I think there  
14 was testimony earlier about adjustments that were made to the  
15 claim after October 15th?

16 A Yes.

17 Q So I want to move away from the 9/15 to 10/15 period and  
18 talk about any adjustments that were made after that.

19 A Okay.

20 Q So let's just go to the "Lehman Positions - Master". And  
21 just orient us. Could you tell us what columns relate to the  
22 pre-October 15 period and what columns relate to the post-  
23 October 15 period?

24 A So the columns that refer to the -- so "Lehman Positions -  
25 Master", the columns BE and prior are the pre-October 15

1 period. The columns after BE, so BF and on, are post-October  
2 15th. That said, I should point out that there are some values  
3 that would have changed in those columns after October 15th as  
4 the adjustments were being made. But structurally, that was  
5 the structure pre-10/15.

6 Q And so could you take us through the first set of changes  
7 that were made for that claim number?

8 A So --

9 Q First of all, maybe you could tell us what the 10/15 claim  
10 number was to start off with.

11 A Actually, I'm not sure that it's on this spreadsheet.  
12 There's a claim number, if we go to the "Response to", that  
13 shows what the proof of claims number is, September 2009, which  
14 you can see in column -- where you can see in cell R874. And I  
15 can talk about the adjustment -- there was only one adjustment  
16 besides for the collateral change. There was only one set of  
17 adjustments that happened between October 2008 and September  
18 2009. So I can kind of walk it back to what that number would  
19 have been. But I don't know that it actually shows up on the  
20 spreadsheet anywhere.

21 Q Okay. So before we get to that, which number matches the  
22 proof of claim that was filed.

23 A On September 2009, I believe it's -- I believe it's cell  
24 R874.

25 Q Okay. And -- I'm sorry. I misspoke. I meant the



1 calculation statement that was submitted on October 15th.

2 A Right. So I don't think -- I don't know that there is  
3 any --

4 Q Okay.

5 Q I don't know that that number is here.

6 Q Okay. So take us from the original to the adjusted first.

7 A Right. So -- right. So the -- well, so there are two  
8 aspects. So going from -- on this tab, going from original to  
9 adjusted, the only difference is the independent amount. So  
10 the difference between the original and adjusted is just a  
11 result of the fact that I believe we had double counted the  
12 independent amount initially. And so that was fixed.

13 However, there is an additional adjustment that was made  
14 between the calculation statement and this adjusted figure that  
15 relates to exchange rate -- an exchange rate error that we had  
16 on some of the unsettled trades.

17 Q Please describe that.

18 A So if you go to the "Lehman Positions - Master" tab, and  
19 we go back to the area that we were just talking about, the  
20 unsettled trades, you'll notice that there are three groups of  
21 trades. There's rows 816 and 817 relate to the iTraxx-9 Euro  
22 Main. Rows 819 and 820 also relate to the iTraxx-9 Euro Main  
23 but a different default swap. And then rows 839 and 840 relate  
24 to an iTraxx-9 Euro SubFin position. In all of those  
25 instances, the original calculation statement used the dollars

1 in our system. But it failed to recognize that those were  
2 euros as opposed to U.S. dollars. iTraxx is a European index.  
3 And so, when we made the currency adjustment, to the extent  
4 that these were -- if you go to the column -- to the extent  
5 that these were largely negative numbers, when you implied the  
6 currency adjustment, it made it further negative. And so, that  
7 reduced the claim by approximately three million dollars once  
8 we caught that mistake.

9 Q Okay. And approximately when was that?

10 A I don't know when it was discovered. I know that it made  
11 its way in to the September 2009 proof of claims. But I don't  
12 know when during that approximate one year period it was  
13 discovered.

14 Q Okay. And after the filing of the September 2009 proof of  
15 claim, were there further adjustments?

16 A Yes. There were two sets of adjustments.

17 Q Okay. And are those -- can you find those on this  
18 spreadsheet?

19 A Yes. So if we go to the -- so here -- so if we go to  
20 column BI and columns BL -- so column BI -- well, cell BI3 has  
21 the title "Adjust Reason". And then cell BL3 has the title  
22 "Further Adjust Reason". And so those describe the adjustments  
23 that were made. The BI set of positions reference the first  
24 batch. And then the BL referenced the second batch of  
25 adjustments.

1 Q Okay. And are you able to identify the reasons for the  
2 adjustments in BI?

3 A Yes.

4 Q How do you do that?

5 A So first, I should -- I believe this may still be filtered  
6 for me. So let me just -- so these were adjustments that were  
7 made not just on my position, the positions that I valued, but  
8 across all the positions that QVT valued.

9 So -- well, let me see. I don't know what it doesn't show  
10 everybody. Let me just see -- I'm just going to clear all the  
11 filters.

12 So then I'm going to go and filter on column BI. And  
13 you'll see that there are five categories of reasons including  
14 the blanks which are: accrued interest, exchange rate,  
15 incorrect factor, wrong initial mark and wrong initial V.

16 THE COURT: It actually says "wrong mark IT date".

17 THE WITNESS: Oh, sorry. That's right. "Wrong mark  
18 IT date". That's --

19 BY MR. TRACEY:

20 Q And can you briefly describe what those categories relate  
21 to?

22 A Sure. I can go -- I can just go one -- so accrued  
23 interest -- I'll describe generally. Accrued interest is -- so  
24 if we think back to the way that the sheet is constructed, so  
25 originally, what would happen is especially for the positions

1 that use market quotations or another override, it would  
2 reference the price that was received on the market quotation.  
3 But that would be a clean price. And then the formula didn't  
4 do the adjustment of taking the clean price and then adding  
5 accrued interest thereby lowering the price. So once that  
6 class of error was discovered, it was applied. And so then the  
7 accrued interest adjustment was made for those positions.

8 Q Do you recall --

9 THE COURT: Yes. Mr. Andreoli?

10 MR. ANDREOLI: Your Honor, could we just get a little  
11 clarification that Mr. Wollman was the one who made these  
12 changes in the worksheet. I believe there's testimony last  
13 week that Mr. Sale (ph) also was involved.

14 BY MR. TRACEY:

15 Q Did you make the changes in the worksheet?

16 A Yeah. So with respect to all of the calculations in here,  
17 those would have been my adjustments.

18 Q The next one is exchange rate. What does that relate to?

19 A Yeah. So that would just be an instance where the wrong  
20 exchange rate was used on a particular date.

21 Q And incorrect factor?

22 A So those relate to RMBS securities primarily where what  
23 would happen is that you -- you have a security. You'd have a  
24 CDS position. You'd have the bond that it was referencing.  
25 That bond might experience a write-down at some point in time.

1 And as a result, the factor on the CDS would change. However,  
2 sometimes the bond would write down before there was a payment  
3 made. So if there was a situation where there was a write-down  
4 right around the time of Lehman's filing, it might have assumed  
5 that we had received a payment and the factor went down, but in  
6 reality, we had never received the payment. So the price  
7 should have been on the pre -- the factor before application of  
8 any assumed payments by Lehman.

9 Q And what about wrong initial mark?

10 A Wrong initial mark was an instance where, I believe, there  
11 was a typo on -- or a formula mistake on -- I believe there was  
12 one or more positions. I can check exactly what it was. But  
13 it was just a -- it was referencing the wrong cell in one of  
14 the calculations.

15 Q And what is wrong mark IT date?

16 A So there were -- there was a set of positions, I believe,  
17 generally GMAC CDS, that in the original version had a -- I  
18 can't -- I can't recall exactly what the date was but it was a  
19 date outside of Lehman week, outside of 9/19 originally. And  
20 so that was corrected to use 9/16.

21 Q How many of those were there?

22 A I believe -- we can see with a filter on it. I'm not sure  
23 off the top of my head. But -- so not all of these were  
24 actually -- not all of these were -- the primary ones were Ford  
25 and some of the GMACs. There are some other GMs referenced

1 here but those weren't -- weren't -- I think those were smaller  
2 like a -- other factors. You can see by the column BM which  
3 shows the change in dollars, they're much smaller. It's -- and  
4 I believe it related possibly to other issues. But there are  
5 approximately 4 -- 10 -- approximately 15 or so of these.

6 Q Okay. And how were these errors discovered?

7 A So it varied. If not -- part of it was just in the course  
8 of -- and most of it was just in the course of looking this  
9 over as we were having discussions with Lehman about various  
10 things and we were looking at the spreadsheet. We would  
11 discover, oh, there was just a calculation mistake, like it was  
12 just a formulaic error. And so, as we discovered them, over  
13 some period of time, we corrected them.

14 Q Okay. Let's go to the "Further Adjusted Reasons". Can  
15 you describe what those adjustments were?

16 A Sure. So if I unfilter --

17 (Pause)

18 A So I just unfiltered column BI and I am now filtering on  
19 column BL. So here, these are -- there's six different  
20 categories. There's adjusted spread for inversion of curve.  
21 That's an adjustment that related to a CIT position, in  
22 particular, where the original valuation replaced the position  
23 with a longer dated CDS and used the longer dated CDS. But  
24 this was corrected to adjust for the maturity of the actual CDS  
25 that we were using. So I believe the replacement trade was a

1 year longer in maturity.

2 Q Okay.

3 A And then changed recovery rate to 30 percent related to  
4 just a typo on the MI sheet where all the positions but, I  
5 believe, one had a 30 percent recovery rate and that one did  
6 not. So that was just harmonized with respect to that recovery  
7 rate.

8 Effective date method corrected had to do, I believe, with  
9 some of the ABS and CMBS positions where just in the  
10 calculator, the effective date going in was off by one. And so  
11 that was just corrected by a day or so, so it was a relatively  
12 minor change.

13 Fixed date and removed extra damage. And just "removed  
14 extra damage" is the same set of secur -- same set of issues  
15 which are -- if you recall, when Arthur discussed the valuation  
16 for the MI, the mortgage insurer positions, there was the  
17 notion of having replaced with a longer dated CDS. And there  
18 was a calculation that added additional claim as a result of  
19 that longer dated CDS. This reversed that back out because to  
20 -- consistent with the other calculations where that was not  
21 applied, it did that and, you know, thereby reduced the claim  
22 on those positions.

23 And then the final issue was a misused SocGen mark which  
24 is that one of the -- one of the formulas on the PCDS sheet  
25 looked at the wrong row. It used -- I believe it was

1 (indiscernible) used SocGen or -- yeah, I believe Santander was  
2 originally referring to SocGen when it should have been  
3 referring to Santander. And so that correction was made.

4 Q So if we could now look at what effects these adjustments  
5 had on the total claims --

6 A Right. And the easiest way to see that is just if you go  
7 back to Response 2. And if you just subtract those two numbers  
8 'cause those are all the sources of the change. It was about a  
9 \$3.3 million reduction in claims.

10 Q And that's -- that is the combined effect of the original  
11 adjustment in the additional adjustment?

12 A 3.3 is those two columns, column BI and -- well, I forget  
13 what the column B -- sorry. It was BI and BL. And then that's  
14 the 3.2. There was also that 3 million adjustment that took us  
15 from the proof of claim back to the calculation statement. So  
16 you would add those two to go from calculation statement to  
17 final claim.

18 Q And based on -- after those adjustments, what is the  
19 current amount of the claim?

20 A So it's in cell T874, \$264,998,675.11.

21 (Pause)

22 Q Okay. Final topic. I just wanted to go back to the  
23 discussion we had yesterday about Markit Partners data.

24 A MarkIT.

25 Q MarkIT Partners data. And you testified that MarkIT



1 Partners data was used in certain circumstances to mark QVT's  
2 positions, is that correct?

3 A Yes.

4 Q And did you have an understanding back in 2008 about what  
5 the source of Markit Partners data was?

6 A Yes.

7 Q What was it?

8 A It was -- it was generally -- it was mid-level marks that  
9 were provided by a number of dealers.

10 Q And did it ever occur that Markit Partners data was -- did  
11 Markit Partners evaluate the reliability of its (indiscernible)  
12 in any way.

13 MR. ANDREOLI: (Indiscernible).

14 THE COURT: Fair enough. If he knows.

15 BY MR. TRACEY:

16 Q If you know.

17 A Well, I can say that they reported statistics about the  
18 information that they were presenting in their composite  
19 figure.

20 Q And what statistics did they provide you?

21 A They had a depth figure which would indicate how many  
22 dealers would have provided on that level.

23 Q And did they -- give an example of what kinds of  
24 statistics they would provide?

25 A Right. And so -- I'm sorry.

1 THE COURT: Go ahead.

2 MR. ANDREOLI: Can we just get a little more  
3 foundation on whether he knew this at the time or if this is  
4 current?

5 BY MR. TRACEY:

6 Q Sure. Yeah. I'm asking you only about your understanding  
7 in 2008 based on your use of Markit Partners data for marking  
8 positions.

9 A Yes.

10 Q So with that understanding, can you give us an example of  
11 how Markit Partners would provide statistics to you about the  
12 depth of their information?

13 A Right. So the only statistic that I was aware of at that  
14 time was the number of contributors. And I knew to the extent  
15 that that number was low that would be considered to be a more  
16 thinly reported figure than something that had a larger number  
17 of dealers.

18 Q And I think you testified yesterday that your system would  
19 automatically pull in MarkIT Partners data?

20 A Yes.

21 Q And did it pull in data regardless of whether it was thin  
22 or not?

23 A Yes. There was no -- there were no filters applied.

24 Q And was that thinness information considered by the  
25 traders in determining whether to use MarkIT Partners to mark

1 positions?

2 MR. ANDREOLI: Objection. Foundation.

3 THE COURT: Could you --

4 BY MR. TRACEY:

5 Q Again, I'm --

6 THE COURT: Could you repeat the question? I'm  
7 sorry.

8 MR. TRACEY: Sure.

9 BY MR. TRACEY:

10 Q The question was, back in 2008 when you, as a trader,  
11 would use MarkIT Partners to mark a position, would you  
12 consider whether the information was thin or not?

13 A So I'll say -- so -- and I think we're talking largely  
14 about the month-end Beardstown (ph) process is sort of  
15 primarily how this is involved. I can say that that  
16 information is not displayed in Beardstown. So there is no way  
17 that if you were looking at Beardstown that you would know what  
18 the depth is. One could independently go out and check to see  
19 what the depth was. But that's not something that I did and I  
20 don't know if others did or didn't do that.

21 Q Okay.

22 MR. TRACEY: Okay. Thank you. I have nothing  
23 further, Your Honor.

24 THE COURT: Okay. All right. So we're going to get  
25 started with cross-examination?

1 MR. TAMBE: We had discussed with Mr. Tracey whether  
2 we could deal with the housekeeping issues. One of the  
3 housekeeping issues, I think, effects a topic --

4 THE REPORTER: (Indiscernible).

5 MR. TAMBE: Sorry. We had discussed with Mr. Tracey  
6 taking up the housekeeping issues before we start the cross-  
7 examination.

8 THE COURT: Okay. The housekeeping issues that we  
9 discussed yesterday?

10 MR. TRACEY: I'm not sure we need to take up all of  
11 them but apparently one of them relates to Mr. Wollman. So I'm  
12 happy to take that up if that's necessary.

13 THE COURT: Okay. So do we need to do this  
14 separately or --

15 MR. TRACEY: I'm not sure what the issue is.

16 MR. TAMBE: Yeah. I think so.

17 THE COURT: Separately. Okay. So we'll go off the  
18 record. We'll take a break and we'll come back in 10 minutes.  
19 Yes? All right. We'll shoot for 10 minutes.

20 (Recess from 11:33 a.m. until 11:56 a.m.)

21 THE COURT: Okay, Mr. Wollman. Ready?

22 THE WITNESS: I'm just going to move this binder.  
23 For now. Just put it on the --

24 THE COURT: Put it down on the floor, yeah.  
25 Go ahead.

1 CROSS-EXAMINATION

2 BY MR. ANDREOLI:

3 Q Okay. Mr. Wollman, this morning, I think we spent most of  
4 the morning talking about Exhibit 2108. That's the current  
5 version of the claim calculation spreadsheet, right?

6 A That's correct.

7 Q And yesterday, there was some discussion about earlier  
8 versions of that spreadsheet. Do you recall that?

9 A Yes, I do.

10 Q Okay. Why don't we come back to that spreadsheet? I  
11 believe it's Claimant's Exhibit 1552.

12 (Pause)

13 Q And let's see if you want to open up your -- our copy  
14 binders.

15 A Yes.

16 Q There's a sheet of the metadata. We've stamped it CX1552M  
17 with the M for metadata just in case you want to get your  
18 bearings.

19 A Sure.

20 (Pause)

21 Q Okay. And I think you looked at the metadata yesterday  
22 and you noted that the spreadsheet was last edited on 9/21.  
23 Does that sound familiar?

24 A Yes. And that's what it appears here.

25 Q Okay. And once again, you're the author of this

1 spreadsheet, correct?

2 A Yes.

3 Q Okay. And so you talked about the Lehman positions have  
4 in the spreadsheet yesterday. Do you recall that testimony?

5 A I do.

6 Q Okay. I don't think we walked through the other tabs.

7 MR. ANDREOLI: Could you, Randall, select on the  
8 "Mid-Marks" tab, please? And if you can go all the way to the  
9 top? Okay.

10 BY MR. ANDREOLI:

11 Q And, Mr. Wollman, could you describe your understanding of  
12 what this tab is?

13 A So let me take a look. I'm sorry. Oh, I guess I can't --

14 Q Oh, sorry. If you'd like to see something, could you just  
15 let us know. Randall will scroll wherever you'd like to go.

16 A Sure. If you don't mind just scrolling to the right.

17 (Pause)

18 A So it would be after -- keep going. Okay.

19 I'm sorry. What was your question again?

20 Q Can you just explain for the Court what this tab shows,  
21 what this sheet shows?

22 A It looks like it would -- it looks like it's a --

23 Sir, if you'd go back to the left just --

24 It looks like it's information from our system, from QVT's  
25 systems. And I'm not sure exactly where it's from but that has

1 information about our securities.

2 Q It's from the Tiki (ph) system, right?

3 A Well, so, from the Tiki system ultimately, but I'm not  
4 sure how it's being produced from the Tiki system.

5 Q What do you mean by produced? Sorry.

6 A Sure. So they're very -- I think as I mentioned in my  
7 direct, there are various ways of interacting with Tiki. So  
8 Tiki is effective just like a database. But there are other  
9 programs and processes that run off of the Tiki data. So I  
10 believe that this would be primarily Tiki data. The reason why  
11 I caveated that is that I notice the column "Mesh Short Code"  
12 where Mesh is somebody who was affiliated with the Mordor (ph)  
13 system that would have used -- rely on some information from  
14 Tiki. So I just wanted to draw that distinction that I'm not  
15 sure if it was something that was provided from Mordor which  
16 ultimately referenced Tiki data. But that's all -- that's the  
17 only point I was trying to make.

18 Q Okay. I think this may be the first time the Court has  
19 heard about the Mordor system. Can you just explain what that  
20 is?

21 THE COURT: No --

22 MR. ANDREOLI: Do you remember from our pretrial  
23 conference?

24 THE COURT: I'm a mother.

25 MR. ANDREOLI: Okay.

1 BY MR. ANDREOLI:

2 Q That's the margin system, is that right?

3 A Well, sir, I have to confess. I personally have not  
4 interacted with Mordor that much. My understanding of Mordor,  
5 though, is that it was something used in our operational  
6 department for handling a number of operational duties.

7 MR. ANDREOLI: Okay. So if you could scroll to the  
8 right, Randall, columns -- starting with column O.

9 BY MR. ANDREOLI:

10 Q So, Mr. Wollman, do you see starting with column O, you  
11 have some columns that talked about bid mark, mid-mark and  
12 various additional descriptions after that. Can you just  
13 describe for the Court what columns O through X are intended to  
14 capture?

15 A So, yeah. So, I mean, I can describe -- so I -- just to  
16 be -- I can describe what I think some of these are. Like,  
17 I'll know what bid mark and mid-mark are. But with respect to  
18 mid-market value currency, I'm not sure exactly how that's  
19 being calculated in this context. But I can --

20 Q Okay. Start with O and P --

21 A Sure.

22 Q -- if those are (indiscernible).

23 A Sure. So O is bid mark. So that would be what's the mark  
24 at the bid side. And then P is mid-mark. So what would the  
25 mark be at the mid. Then bid market value currency -- I'm



1 guessing that -- so I think it relates to the bid mark and  
2 looks at the market value based on that bid mark. And then  
3 mid-market value currency would do the same thing for the  
4 mid-mark.

5 And --

6 Q Okay. Why don't we stop there?

7 A Okay.

8 Q So for mid-mark, those would be mid-marks that were in  
9 QVT's system that QVT relied on for other purposes, right?

10 A I would believe so.

11 Q Okay. And what would QVT use the bid mark column for?

12 A So there are -- for any V purposes, I don't believe we  
13 would. We would keep track of that information internally, I  
14 think, for various P&L reporting activities possibly by trader,  
15 possibly for other -- just to kind of understand how much  
16 dispersion there could be around it. But I don't know that  
17 that was used in any sort of formal way.

18 Q So bid marks were not used in QVT's P&L reporting to  
19 investors, right?

20 A I don't recall an instance when it was used. It might  
21 have been used and I'm just not aware of it.

22 Q So this morning, I think you testified about keeping track  
23 of bid-mids and I think you said historically, there was some  
24 five percent number?

25 A Correct.

1 Q And is that based on -- the five percent number based on  
2 the difference between O and P in the spreadsheet?

3 A Not -- sorry. The five percent figure that I was  
4 referring to related to the Beardstown process. So the  
5 Beardstown process would happen month-end. So on a month-end  
6 basis, you would see in Beardstown if there was, let's say for  
7 argument's sake, Markit Partners had a 100 basis point mid, I  
8 believe you would see 95 basis point bid, 105 -- sorry. It  
9 would be -- yeah. It would use 95 basis point bid, 105 basis  
10 point ask. But -- and so in Beardstown, you would see 95/105.  
11 But especially if this is, I believe, 9/11 data, I don't know  
12 that it would necessarily incorporate that because it's not a  
13 month-end calculation.

14 Q So would Beardstown calculate that five percent bid-mid  
15 for all CDS positions or just the MarkIT positions?

16 A I believe it was just for the MarkIT positions. Or at  
17 least, the five percent that I was referring to was for MarkIT  
18 positions. I don't -- for other information -- if we would  
19 have gotten an offer or a bid from a broker run, we wouldn't  
20 have needed any further adjustment.

21 Q Was that five percent bid-mid based on any historical  
22 analysis or was it just the number that the trader shows?

23 A Yeah. I'm not -- I'm not sure how that was determined.

24 Q Do you know when it was determined?

25 A I do not.

1 Q But you're confident that it was in place in September  
2 2008?

3 A Yeah.

4 Q Okay. Let's go to the "Lehman Positions" tab, please. So  
5 you testified yesterday that this document, which is the 9/21  
6 version of the claim calculation spreadsheet, contains MarkIT  
7 spreads from September 15th for the positions where you could  
8 pull that data, right?

9 A Yes.

10 Q And that is found in column V of the spreadsheet, right?

11 A If we could just go to column V just to be sure, but  
12 that's my recollection.

13 Q So (indiscernible) V. Sorry.

14 A Yes.

15 Q Okay. And yesterday, I don't think we were seeing any  
16 data in column V. Is that just a spreadsheet error in pulling  
17 data? You see there data there now?

18 A Right. So I guess it would depend on what spreadsheet you  
19 were looking at. So presumably, this is a hard-coded version  
20 of something because you wouldn't be able to get Markit  
21 Partners now since you're not in QVT.

22 Q Okay.

23 MR. ANDREOLI: Randall, could you just scroll down to  
24 column V, please?

25 BY MR. ANDREOLI:

1 Q So you'll see in various rows, there are MarkIT spread  
2 populated in column V, right?

3 A Yes.

4 Q So as of 9/21 of 2008, you had already incorporated  
5 certain of the MarkIT spreads into the claim calculation  
6 spreadsheet, right?

7 A Into -- what you said?

8 Q The claim calculation spreadsheet. This Exhibit 1552.

9 A So -- right. Well, so, when you say into the spread -- I  
10 mean, all this is doing is looking up the 9/15 Markit Partners  
11 spread for each position where it exists.

12 Q Right. And my question is that was done as of the 9/21  
13 version, right, the ability to pull those MarkIT spreads into  
14 the spreadsheet?

15 A Yes.

16 Q And as of September 21st of 2008, you had already  
17 incorporated the responses QVT had received to the market  
18 quotation process into Exhibit 1552, correct?

19 A Yes. I believe that's -- I had looked at a number of  
20 those instances with its -- in columns O -- I guess I didn't  
21 confirm that it was exhaustive but my recollection is that I  
22 would have pulled them all in.

23 Q And where is that information found?

24 A So if you go to the right. So keep going. So yeah. So  
25 override. For example, you'll see it says, in column AD, there

1 would be values and especially, for example, where I'm looking  
2 at row 70 where it has an AMR position where it shows 17 and a  
3 quarter and it shows list. Column AB is 17 and a quarter,  
4 column AE is list.

5 Q Right. So where it says "List" in AE, the override in  
6 column AD is the result of the market quotation process.

7 A Yeah. It's a level from that process. Actually, if you  
8 click on cell AD70, we can see if that's actually -- yeah. So  
9 you can see here, it's directly referencing that -- that  
10 position on the corporate list.

11 Q Okay. In the quotes that QVT had received in connection  
12 with certain broker runs are also incorporated into this  
13 version of the claim calculation spreadsheet, right?

14 A Yeah. So I believe, as I mentioned yesterday, there were  
15 not very many of those. I think it was just a handful. And I  
16 forget exactly how many it was but it certainly wasn't very  
17 comprehensive.

18 Q Okay. So where can we find those?

19 A So -- okay. If we filter on AE -- I just want to see if  
20 there are easy ways of doing this. So if you look at the first  
21 three that say "Credit Suisse Run", "DB Run" and "Goldman Run"  
22 -- so right. So those -- and if you scroll down -- yeah. So  
23 those are examples of that.

24 Q Okay. So now that you filtered for those categories, you  
25 get the broker runs that are actually populated in AE, right?

1 A Yes.

2 Q Okay. So we've now talked about some of the information  
3 that's included in Exhibit 1552 as of 9/21. This version of  
4 the spreadsheet does not include any of the individual traders'  
5 valuations, correct?

6 A Correct.

7 Q And, in fact, there's no column in this version of the  
8 spreadsheet that reflects the assignment of positions to the  
9 individual traders, correct?

10 A Yeah. I don't believe so. We can go all the way to the  
11 right and just confirm that. Yeah. I don't -- just keep  
12 going. Yeah. I don't see any instances of any initials or  
13 anything of the sort.

14 Q Okay. So it's your understanding that as of 9/21, the  
15 individual traders had not begun the process of valuing the  
16 trades in the spreadsheet?

17 A No, I don't know that that's necessarily the case. I know  
18 that it hadn't been the case that their sheets hadn't been  
19 created but individual traders very well may have been looking  
20 at assumption of their positions. But it wouldn't have been in  
21 the form of this calculator.

22 Q You haven't seen any spreadsheets or other documents that  
23 reflect valuations performed by the individual traders before  
24 or on 9/21, have you?

25 A No. The only sheets I would have seen would have been the

1 sheets that they submitted to me at the end of their process.

2 So I wouldn't have seen the intermediate steps.

3 Q And that was after 9/21, right, that you received anything  
4 from the individual traders?

5 A Yes.

6 Q Okay. Let's flip to a subsequent version of the  
7 spreadsheet. Let's -- Randall, could you show Claimant's  
8 Exhibit 1565, please? And Mr. Wollman --

9 A Yeah.

10 Q -- you have a hard copy of the meta data in your binder.

11 A Sorry, it's at tab 15 --

12 Q 1565.

13 A Okay.

14 Q So the metadata shows that this spreadsheet was created on  
15 9/16, is that consistent with your recollection of when you  
16 initially created the claim calculation spreadsheet?

17 A The first version of that, yes.

18 Q Right. And this one shows it last modified on 9/25 of  
19 2008, do you recall working on the spreadsheet on about that  
20 date?

21 A Certainly, the 9/25? I don't recall 9/25 in particular.  
22 I sort of generally worked on it through that month, from 9/15  
23 to 10/15.

24 Q And you see the file name is Lehman claim.xls, right?

25 A Yes. That's the file name.

1 Q And if you look at the screen where we've now showing the  
2 native, this is one of the versions of the claim calculation  
3 spreadsheet, right?

4 A Yes, I know that it's a version, but I don't know where in  
5 the process, exactly, it falls out.

6 Q Okay. Well, let's look at some tabs and maybe we can  
7 refresh your memory. So at this point, you don't see any, and  
8 Randall can scroll across for you on the bottom, you don't see  
9 any individual trader tabs, right?

10 A So yeah, could you just check all the tabs just so that I  
11 can see. Yeah. I don't seem to see any.

12 Q So this version, you would agree, is prior to the time  
13 when you actually received and incorporated the individual  
14 trader valuations, right?

15 A Yes.

16 Q Okay. And you don't have any reason to doubt that this is  
17 the version of the spreadsheet that was in existence on 9/25,  
18 right?

19 A It was the -- it was certainly -- I mean, I have no reason  
20 to doubt that it was in existence on 9/25. I can't be certain  
21 that it was the only spreadsheet in existence on 9/25.

22 Q Okay. Let's go to -- let's scroll out to the right in the  
23 Lehman positions tab, Randall.

24 A Okay.

25 Q In just scrolling through, do you see anything that would



1 help you understand where to place this version in time?

2 A Sorry, scroll back to the left. Keep going. Yeah,  
3 particular -- I'm looking for column Y. Right, so this is --  
4 I mean, so this is -- yeah, this is still relatively early on.  
5 It's before -- I'm sorry, can I see cell V-4 as well?

6 THE COURT: I'm sorry, the question is the date that  
7 this sheet was -- this version was created?

8 MR. ANDREOLI: Right. Does looking at the data  
9 information that's actually in the sheet help him place this  
10 version in time?

11 THE WITNESS: Yeah, so V-4. Yeah, if you could just  
12 click on that, thanks. Yeah, so this seems to still not yet  
13 reflect some of the changes to the sheet. So it's -- it  
14 appears to be -- well, actually I'm not even -- it's before I  
15 made the changes to the spreadsheet to reflect additional  
16 capability. I guess I could check to see if there were more  
17 sources provided, but it didn't appear to be the case, but --  
18 so it's sort of more -- it's similar in timeframe.

19 MR. ANDREOLI: Okay.

20 THE COURT: I'm sorry, I'm confused. I thought the  
21 first question was regarding the metadata and what the metadata  
22 showed.

23 MR. ANDREOLI: Right, so the metadata shows that this  
24 was last created on -- or last edited on 9/25.

25 THE WITNESS: Right.

1 THE COURT: I'm sorry, I missed that. I thought that  
2 you asked him if the answer was that the metadata showed that  
3 it was first created on 9/16.

4 MR. ANDREOLI: Right. And then he confirmed that it  
5 was last edited on 9/25.

6 THE COURT: I see, okay.

7 THE WITNESS: Right. So this is -- right, so this is  
8 9/25. The previous sheet was last saved on 9/21. I was just  
9 trying to identify what changes, if any, had been made over  
10 those four days --

11 THE COURT: Thank you. Okay.

12 THE WITNESS: -- but I'm not really sure.

13 BY MR. ANDREOLI:

14 Q Okay. Let's go to Joint Exhibit 86, please. Take a look  
15 at the e-mail and let me know when you're ready.

16 A Yes, okay.

17 Q Okay, so the bottom e-mail in the chain is an e-mail you  
18 sent to your colleagues Mr. Chu, Mr. Sen, Mr. Knox, and Mr.  
19 Brumm on September -- Saturday, September the 27th at 5:27  
20 p.m., right?

21 A Yes, that's correct.

22 Q And you copied your colleagues Simon Berring and Lisa  
23 First (ph), correct?

24 A That's right.

25 Q And in the text of the e-mail, you note that there are two

1 files that you want your colleagues to pay attention to, right?

2 A Yes.

3 Q And the first one is the Lehman claim new.xls, right?

4 A Yes.

5 Q And you note that this is an updated version of positions  
6 broken out by category, right?

7 A Yes.

8 Q The second file you describe is called marking  
9 responsibility.xls, right?

10 A Yes.

11 Q And in your description of the marking responsibility  
12 file, you noted that you had assigned each CDS to someone,  
13 correct?

14 A Yes.

15 Q Although you noted that there were certain unknown  
16 positions that belonged to Dan/Carlo, right?

17 A Yes.

18 Q What positions belong to Dan or Carlo?

19 A As in which (indiscernible) were they?

20 Q Yeah, or which -- you could start by saying which  
21 accounts, what kind of positions did they trade that were in  
22 this portfolio?

23 A I'm not sure. It would have been whatever positions that  
24 they were responsible for but I wouldn't -- I don't know how I  
25 would identify them now.

1 Q Okay. You don't remember historically what they were  
2 trading?

3 A Not which CDS's in particular it would have been at that  
4 time.

5 Q So at 5:27 on September the 27th, this was the first time  
6 you were providing this marking responsibility file to your  
7 colleagues, right?

8 A Yeah. I don't know if that was the case. It was  
9 certainly -- I was certainly providing it to them but I don't  
10 know if that was the first time I necessarily communicated it  
11 to it -- to them.

12 Q Okay. Well, let's go to the file. Let's go to 5214.  
13 Okay, so 5214, if you look at the metadata, which we provided,  
14 the file name says --

15 A Sorry, 5 --

16 Q -- marking responsibility.xls.

17 A Sorry, where -- 5214 is a -- that's just an exhibit?

18 Q Yes.

19 A An EX? Yes. Okay, yes, I see that.

20 Q If you bring it up on the screen -- well, actually let's  
21 check -- you're the author of this document, right?

22 A That's correct.

23 Q And it says that the date created is September 27th of  
24 2008, right?

25 A Yes.

1 Q And this is the document you're referring to in the prior  
2 exhibit, right, Joint Exhibit 86?

3 A Yes. It seems to be, marking responsibility.

4 Q The same name, right?

5 A It has the same name.

6 Q Okay. Let's bring up the Excel. Okay. So are you  
7 familiar with the spreadsheet, Mr. Wollman?

8 A I don't recall having looked at this recently.

9 Q But you created it, right?

10 A That's what it says.

11 Q And it shows a list of the (indiscernible) with Lehman,  
12 right?

13 A Sorry, we're looking at the master tab now, right?

14 Q Yeah, that's where we're on now.

15 A So -- yes and it's -- yes, it seems to have the master tab  
16 --

17 Q If you need to scroll down, just let Randall know.

18 A Sorry, and the filter -- it seems to be filtered on  
19 something, column C. What is it filtered on? AC -- okay.

20 Q Okay. And are those initials -- are those -- you see JW,  
21 are those your initials?

22 A Yes.

23 Q And AC is Arthur Chu's initials?

24 A Yeah.

25 Q TK is Tom Knox's initials?

1 A Yes.

2 Q YC is Yi Cen's initials?

3 A Yes, that's correct.

4 Q And those were the traders you were assigning  
5 responsibility for valuing in the portfolio, right?

6 A That's some of the traders.

7 Q And Mr. Fu was another trader, right?

8 A Yes, Mr. Fu as -- well, as well as Mr. Brumm as part of  
9 the process.

10 Q But Mr. Brumm didn't actually value any positions, right?

11 A Well, he did value positions, he just didn't value any  
12 positions that QVT or Quintessence had facing Lehman.

13 Q What positions did Mr. Brumm value?

14 A There were other positions where DB -- so as we discussed,  
15 there are some Deutsche Bank positions that are not in this  
16 case, but they appear in the spreadsheet. I believe he may  
17 have valued some positions which didn't become part of this  
18 claim but were otherwise involved in the process -- the marking  
19 process generally.

20 Q Okay. In your e-mail you noted that there were certain  
21 unknown positions --

22 A Yes.

23 Q -- and you asked your colleagues to go through and claim  
24 whichever you can. Do you see that? If you go back to --  
25 maybe have a hard copy open of Joint Exhibit 86 and have the

1 spreadsheet on the screen.

2 A Sure, so Joint Exhibit 86?

3 Q Right. Is that the e-mail we were discussing where --

4 A Yes.

5 Q -- you circulated the marking responsibility spreadsheet,  
6 right?

7 A Yes.

8 Q Okay. And here you're saying there's some unknown  
9 positions. Is that -- the unknown positions, are those the  
10 positions that have question mark in column C?

11 A I think that's a reasonable inference. I don't know,  
12 though.

13 Q Let's click on that, Randall. Can we highlight the -- or  
14 filter on the question mark, please? Okay. Does this refresh  
15 your recollection as to what CDS Mr. Gold or -- I don't know  
16 Carlo's last name, but --

17 A Matoni (ph).

18 Q Matoni. What positions they had in the Lehman portfolio?

19 A I mean, I would assume that it's a subset of these  
20 positions, but I don't know which ones.

21 Q Do you know who was ultimately assigned responsibility for  
22 marking -- or valuing the positions that were traded by Mr.  
23 Gold and Mr. Matoni?

24 A What's -- I don't know what the positions are so I don't  
25 know that I can answer that.

1 THE COURT: Can I ask -- so on this sheet that we're  
2 looking at in the column D, there are two different categories.  
3 There's QVT Quintessence and then there's the DB intermediate,  
4 right?

5 THE WITNESS: Yes.

6 THE COURT: So DB intermediate is we're not talking  
7 about, right?

8 THE WITNESS: Right, yes.

9 THE COURT: Okay. So on the QVT Quintessence, is  
10 there a way that you could take those (indiscernible) and go  
11 look back into a subsequent version and see who -- when you  
12 sort for responsibility, would that tell you who --

13 THE WITNESS: Yes, that --

14 THE COURT: -- is in charge of them?

15 THE WITNESS: That would. The only point I was  
16 making is that I don't know which of those -- so when you  
17 filter down.

18 THE COURT: Yeah.

19 THE WITNESS: That's some set of positions. I don't  
20 know that it was -- that the question marks are exclusively Dan  
21 and Carlo's positions. If they were exclusively, then yes, I  
22 could certainly do that.

23 THE COURT: Understood, yes. But it could be  
24 hypothetically --

25 THE WITNESS: Right, if let's --



1 THE COURT: It could be Mr. Chu.

2 THE WITNESS: I'm sorry. Right, right. So for  
3 example, if one person did all of these positions, then by  
4 definition, that person would have done all of Dan and Carlo's  
5 positions. But I'm just saying I don't know which of those  
6 positions are.

7 THE COURT: Okay.

8 THE WITNESS: So that's --

9 THE COURT: I'll stop now.

10 THE WITNESS: That's the only point I was making.

11 THE COURT: Okay.

12 BY MR. ANDREOLI:

13 Q Okay, so you see that you sent the marking responsibility  
14 spreadsheet to your colleagues on  
15 September 27th at 5:27 p.m. You're not aware of having  
16 circulated a marking responsibility sheet to them prior to that  
17 time, are you?

18 A Yeah. I have no recollection of that.

19 Q Okay. If you look in the paragraph where you're  
20 discussing the marketing responsibility spreadsheet, you note  
21 and it's the sentence that starts with even -- "Even though I  
22 assigned positions to everyone, many of these may have marked  
23 IT partner marks, however please examine appropriateness of  
24 mark and bid ask spread and decide if an override is  
25 necessary." Do you see that?

1 A Yes.

2 Q And so you were instructing your colleagues to look at the  
3 market partner marks and decide whether they should be  
4 overridden or not, right?

5 A Yes.

6 Q And so your understanding was they had not begun the  
7 process of deciding whether to override the market partner  
8 marks as of 9/27 at 5:27 p.m., right?

9 A Well, as I recall sort of looking through -- I guess we  
10 haven't looked through Lehman claim/new yet, but at least in  
11 the prior versions of the spreadsheets, there was only the 9/15  
12 opinion and there was only -- and the 15 percent was applied.  
13 So the only thing they could either do was sort of accept or  
14 reject at that point. So I think that was the -- sort of the  
15 beginning of the discussion around using market partners.

16 Q But my question was, to your knowledge, the traders had  
17 not begun the process of deciding whether to override market  
18 partner marks prior to 9/27 at 5:27 p.m., right?

19 A No. I don't know that I would say that because -- again,  
20 this is just as it relates to the spreadsheet. In terms of  
21 what the other traders were doing in thinking about their  
22 positions, I don't recall nor would I have necessarily known.  
23 I mean, I'll just point out that here it says Lehman claim/new  
24 is an updated version of the position. So again, I don't have  
25 a recollection of this e-mail, but that leaves me to believe

1 that they were aware of at least the previous version of the  
2 positions. And so I don't know what, if anything, they were  
3 doing with that.

4 Q As of the time this e-mail, September 27th at 5:27 p.m.,  
5 you hadn't started checking the market partner marks in  
6 determining whether they were appropriate, had you?

7 A For my positions?

8 Q Yes.

9 A I guess if I could look at the Lehman claim, new  
10 spreadsheet, I could have -- I could tell you, but I don't  
11 know.

12 MR. ANDREOLI: Okay. Would this be a good time to  
13 break, Your Honor?

14 THE COURT: I think it would be an excellent time to  
15 break. All right. So you get a little longer today. We'll be  
16 back promptly to start up again at 2 o'clock. All right?  
17 Thank you.

18 (Recess from 12:29 p.m. until 2:14 p.m.)

19 THE COURT: I apologize for being late. Had a note  
20 from Judge Katzman; kind of hard to interrupt when one is  
21 talking.

22 Please come back. I'm sorry.

23 CROSS-EXAMINATION (RESUMED)

24 BY MR. ANDREOLI:

25 Q Ready, Mr. Wollman?

1 A Yes.

2 Q All right. So we're going to do one quick topic and then  
3 we're going to go back to where we were.

4 So, Mr. Wollman, you're aware that QVT's claims LBSF were  
5 placed into side a pocket after LBHI filed for bankruptcy,  
6 correct?

7 A Yes.

8 Q And that side pocket is generally referred to within QVT  
9 as the Lehman side pocket or the S25 side pocket, right?

10 A Yes.

11 Q And you personally have an interest in the Lehman side  
12 pocket?

13 A Yes.

14 Q And you acquired that interest in Lehman's side pocket by  
15 virtue of the fact that you were an investor in the QVT funds  
16 prior to the creation of the side pocket, right?

17 A Yes.

18 Q In addition to your ownership interest in the side pocket,  
19 you also have a separation and consulting agreement with QVT  
20 Financial LP, right?

21 A Correct.

22 Q And QVT Financial LP is the investment manager for the QVT  
23 funds?

24 A Yes.

25 MR. ANDREOLI: Your Honor, may I approach?

1 THE COURT: Yes.

2 THE WITNESS: I think you gave me two copies.

3 MR. ANDREOLI: Oh. I'm sorry about that, Your Honor.

4 THE COURT: That's okay.

5 BY MR. ANDREOLI:

6 Q Okay. Mr. Wollman, does that document look familiar to  
7 you?

8 A Yes, it does.

9 THE COURT: Do you need an extra copy back? Here.

10 MR. ANDREOLI: Sorry.

11 Q All right. Mr. Wollman, sorry about that, we were just  
12 printing copies in the break.

13 So you have before you Exhibit No. 5966, right?

14 A Yes.

15 Q Okay. And that's a copy of your separation consulting  
16 agreement that we just referenced, right?

17 A That's correct.

18 MR. ANDREOLI: And this copy, just for the record, is  
19 unredacted. We will be replacing it with a partially redacted  
20 copy after court today.

21 Q Okay. So this agreement reflects the terms of your  
22 separation from QVT, right?

23 A It does.

24 Q And it also reflects the terms of your continuing  
25 consulting relationship with QVT, right?

1 A That's correct.

2 Q Okay. And the scope of the consulting relationship is you  
3 working on this litigation, right?

4 A Yes.

5 Q And you're being paid an hourly rate to consult on the  
6 litigation.

7 A That's correct.

8 Q And the rate is \$875 an hour.

9 A Yes.

10 Q And how many hours have you billed to this matter since  
11 you left QVT in April of 2016?

12 A How many hours? It would be approximately 450 hours or  
13 so.

14 Q Okay. And what's the total amount billed in dollars?

15 A Sure. It's just around \$400,000.

16 Q Okay. And does that reflect hours incurred through the  
17 end of January?

18 A Yes, that reflects hours more or less up until the  
19 present.

20 Q Okay. And so it includes the time you've spent attending  
21 trial in the last two weeks?

22 A That's correct.

23 Q Okay. Let's go back to where we were, which was Joint  
24 Exhibit 86.

25 A Okay.

1 Q Mr. Wollman, your -- this was the document we were talking  
2 about before the break, right?

3 A Correct.

4 Q And before the break we talked about some text in the  
5 first two full paragraphs of the bottom e-mail. Let me direct  
6 your attention to the last sentence now.

7 In that sentence you say, "Let me know if you have any  
8 questions/suggestions to help tomorrow go as quickly as  
9 possible (I'll be in around 11 or so)."

10 So in that sentence you were saying that you were going to  
11 the office the next day, QVT's office, right?

12 A Yes.

13 Q And you were going to QVT's office to perform valuation  
14 work for the claim, right?

15 A Yes.

16 Q Okay. And you were asking for suggestions to make it go  
17 as quickly as possible, right?

18 A Yes.

19 Q Do you recall receiving any such suggestions?

20 A In advance of the meeting or during the meeting?

21 Q Yeah, in advance of the meeting.

22 A In advance of the meeting I don't recall.

23 Q Okay. So you did, in fact, go into QVT's offices the next  
24 day, Saturday, September 28th of 2008.

25 A You mean Sunday?

1 Q Sorry, yes.

2 A I believe so, yes.

3 Q Okay. And how long were you in the office on that day,  
4 Sunday, September 28th?

5 A I don't know.

6 Q Some of your colleagues were with you in the office that  
7 day?

8 A Yes.

9 Q And was Mr. Chu there?

10 A I'm guessing he would have been, I don't have a specific  
11 recollection, but I would think he would've been.

12 Q Do you have a specific recollection of any of your  
13 colleagues being there on Sunday, September 28th?

14 A No.

15 Q And so you were there to perform the valuations for the  
16 LBSF transactions. Do you know how long you were in the office  
17 that day?

18 A Sorry. I think you already asked that.

19 Q I already asked that and you said no.

20 Let's go to Exhibit 5943. And it's a slip sheet with the  
21 metadata on the back and Randall's pulled up in Excel. And  
22 just to get our bearings, you're the author of this document;  
23 is that right?

24 A Yes.

25 Q And it says the date created is September 16th, 2008,



1 right?

2 A Correct.

3 Q And the name is Lehman claim new nick.XLS, right?

4 A What is?

5 Q The file name.

6 A I'm sorry, what exhibit are we on?

7 Q Oh, sorry, I'm -- did I say 5958?

8 A I thought you said 5943.

9 Q I'm having a tab problem. All right. 5943 also created  
10 by you on the 16th and the file name is meeting claim draw,  
11 right?

12 A 5943, right?

13 Q 5943.

14 A Yes.

15 Q Thank you for catching me.

16 A No problem.

17 Q And that's the file name is Lehman claim-Joel, right?

18 A Correct.

19 Q And if we bring up the native on the screen, okay, take a  
20 look at --

21 MR. ANDREOLI: Randall, maybe you could just scroll  
22 to the right for a few seconds.

23 (Pause)

24 MR. ANDREOLI: Sorry, we're going to close it and  
25 reopen it, we were seeing a data issue.

1 (Pause)

2 MR. ANDREOLI: Okay. It looks like we're having an  
3 issue with maybe the spread, maybe because it's hard coded and  
4 can't see them.

5 Q Does this look like the individual trader tab that you  
6 created to value your positions?

7 A I'll get to that in a second.

8 Q Okay.

9 MR. ANDREOLI: Why don't we just show it.

10 All right. Well, we're waiting for the text cluster  
11 to resolve itself.

12 Q So I'll show you in a minute some of the tabs that have  
13 trader's names in them, but at some point the traders completed  
14 their valuation work, correct?

15 A Yes.

16 Q And that valuation was performed in their individual  
17 trader spreadsheet, correct?

18 A That's correct.

19 Q And you aggregated those spreadsheets into what became the  
20 Lehman claim calculation spreadsheet, which we've been  
21 referring to as Exhibit 2108, right?

22 A Yes.

23 Q Okay. So do you recall how the traders conveyed their  
24 spreadsheets to you or transmitted their spreadsheets to you?

25 A I believe they left it on the G drive.

1 Q So you haven't seen any e-mail correspondence where they  
2 sent those spreadsheets to you, right?

3 A Not that I can recall, no.

4 Q So they saved them to the G drive and you picked them up  
5 and inserted them into the larger master sheet.

6 A Correct.

7 Q And when you went through that process of incorporating  
8 the individual trader sheets into the master sheet, you didn't  
9 check any of the individual trader's work, did you?

10 A What do you mean by check their work?

11 Q Did you verify any of their calculations?

12 A Well, I verified that their calculations were completed,  
13 they produced values, but as to what their calculations were  
14 doing, I don't believe I did.

15 Q Okay. So you didn't check to see if you agreed with the  
16 dates that they were using for their valuations.

17 A Sorry, if I agreed?

18 Q Correct.

19 A No, I didn't do that.

20 Q Okay. And to your knowledge, no one at the firm checked  
21 to see if they agreed with the other trader's valuations,  
22 right?

23 A Sorry if anybody checked to see if they agreed with what -

24 -

25 Q Right, if there was one person who checked all the work

1 that the traders had done, to make sure they agreed with it.

2 A I don't think there was any such person.

3 Q Okay. And you didn't check to see if the broker runs that  
4 the other traders used in their valuations were reliable, did  
5 you?

6 A Sorry, they were reliable? What do you mean by reliable?

7 Q That you agreed that they represented an accurate value  
8 for purposes of the valuation.

9 A No, I didn't audit any of their work.

10 Q Okay. And you wouldn't know why any of the traders chose  
11 to value positions as they did, right?

12 A I wouldn't -- I mean I might have known in some instances,  
13 and there may have been some discussions, but I guess it would  
14 depend on the position.

15 Q Okay. All right. We'll come back to the trader sheets  
16 when we get technology working.

17 Let's switch to a new topic, Mr. Wollman. Okay. So  
18 during your testimony yesterday you spoke about QVT's market  
19 quotation process, right?

20 A Correct, yes.

21 Q And were you in the office on Sunday the 14th, the day  
22 before Lehman filed for bankruptcy?

23 A I don't believe so.

24 Q Okay. Were you aware that your colleagues had started  
25 putting together a list of QVT's transactions with LBSF on that

1 day?

2 A I'm not sure if I was aware at that time. I'm aware now.

3 Q Okay. So you recall looking at a spreadsheet yesterday in  
4 court that was such a list.

5 A Yes.

6 Q Okay.

7 MR. ANDREOLI: Let's go to that. Why don't we go to,  
8 Randall, Exhibit 5888.

9 THE WITNESS: Sorry, Exhibit 5 --

10 Q 888, triple 8. And this is an e-mail from Mr. Gold to  
11 certain of your colleagues. Is this the document you remember  
12 seeing yesterday?

13 A Yes, I believe so.

14 Q Okay.

15 MR. ANDREOLI: And, Randall, could you show the  
16 native attachment, please? And if you could scroll down.

17 Q Okay. You see that's a list in column C that identifies  
18 the counterparty is LBSF, right?

19 A Yes.

20 Q Okay. So you're not sure whether you saw this at the  
21 time?

22 A Yes, I mean, we could check if there's a Joel in there,  
23 but I don't recall it.

24 Q Where would you like to look, in column J?

25 A Yeah, especially if I see names. Yeah. I don't see Joel.

1 Q Okay. So you don't think you were involved in the  
2 preparation or filling out this document.

3 A I guess I wasn't in this e-mail and I'm not in the  
4 spreadsheet so sitting here today my guess would be not, but I  
5 don't recall really.

6 Q So at some point you were tasked with identifying  
7 transactions to include the market quotation process, right?

8 A Correct.

9 Q And none of your colleagues that are copied on this e-mail  
10 provided you with a sheet to your knowledge?

11 A This particular sheet?

12 Q Right.

13 A I don't recall.

14 Q Okay. And you were aware in September of 2008 that QVT  
15 received margin statements from Lehman.

16 A That as a general course of -- yeah, I'm aware of that.

17 Q And you're aware that those margin statements listed the  
18 transactions between the parties.

19 A Yes.

20 Q Did you look at those for purposes of putting together the  
21 list of transactions that you included in the market quotation  
22 process?

23 A The margin statement? I'm not sure. I mentioned I don't  
24 know -- the list that we're referring to, I don't recall  
25 exactly how it was generated, I'm not sure if there was margin

1 information that they came from or not, so I can't be sure.

2 Q Okay.

3 MR. ANDREOLI: Let's go to Joint Exhibit 53.

4 Q Okay. Mr. Wollman, Joint Exhibit 53 is a document I  
5 believe you discussed with Mr. Tracey yesterday. Do you recall  
6 this e-mail?

7 A Yes, I do.

8 Q And in the first e-mail which you sent to Mr. Gold at  
9 11:11 a.m. on September 15, you noted that you were thinking of  
10 conducting a 1 p.m. BWIC OWIC (ph), correct?

11 A Yes.

12 Q And the BWIC OWIC you were referring to in the e-mail was  
13 one of the requests for market quotations that you were  
14 planning to send related to the LBSF transactions, right?

15 A Correct.

16 Q And when you noted that you were thinking of conducting  
17 the BWIC OWIC at 1 p.m., you thought you'd be ready to send out  
18 the document at that time, right?

19 A Presumably.

20 Q Okay. And do you recall who tasked you with putting  
21 together the BWIC OWIC for at least some of the transactions?

22 A No, I do not.

23 Q And do you recall how you came up with the 1 p.m. time  
24 that's referenced in this e-mail?

25 A No, I do not.

1 Q Did one of the managing members of QVT suggest that time  
2 to you?

3 A I don't recall that.

4 Q After you sent this e-mail Mr. Gold responded about four  
5 minutes later and he said, "Not yet, standby," right?

6 A Correct.

7 Q And you followed his instruction, you did not send it out  
8 at that time.

9 A Yes, I did not.

10 MR. ANDREOLI: Let's go to Joint Exhibit 4.

11 Q Okay. So you may have discussed this with Mr. Tracey  
12 yesterday. This is an e-mail that you sent, the top e-mail to  
13 Mr. Brum, and Mr. Gold, and Mr. Chu at 11:28 a.m. on September  
14 15th, right?

15 A Yes.

16 Q And you were forwarding them a -- looks like a Bloomberg  
17 you sent to yourself; is that right?

18 A Yes.

19 Q And you sent that Bloomberg to yourself at 11:02 a.m. on  
20 the same day, right?

21 A Yes.

22 Q And in your note to Mr. Brum, Mr. Gold and Mr. Chu, you  
23 noted "This is what I had originally drafted and was thinking  
24 of circulating," right?

25 A Yes.



1 Q And what you considered circulating was a list of the  
2 ABX/CDS transactions, right?

3 A Yes.

4 Q And so at 11:28 you had completed the process of  
5 identifying that group of transactions, right?

6 A Yes.

7 Q Let's go to Joint Exhibit 55. Okay. This is another e-  
8 mail you mentioned or discussed with Mr. Tracey yesterday. The  
9 top e-mail in the chain is an e-mail that you sent to Mr. Brum,  
10 Mr. Gold and Mr. Chu, 1:06 p.m. on September 15th, right?

11 A Yes.

12 Q And you were again forwarding them a Bloomberg message you  
13 sent to yourself, right?

14 A Yes.

15 Q And the Bloomberg message you had sent to yourself was at  
16 1:04 p.m., right?

17 A Yes.

18 Q In the top e-mail in the chain, you wrote that you had  
19 made two minor changes to the language, one was to put in  
20 offers wanted in comp and the second was to remove language  
21 about currency since these are all USD, right?

22 A Yes.

23 Q And when you mentioned you were removing the language  
24 about currency because they were all in USD, was that a  
25 reference to just the ABX/CDS transactions, or was that all of

1 the transactions between QVT and LBSF?

2 A Just the ABX transactions.

3 Q You concluded your e-mail, the top one by saying, "I will  
4 send out as-is (formatting looks better in BBG unless they are  
5 other concerns)", right?

6 A Yes.

7 Q So from your perspective, the ABX/CDS BWIC OWIC was in  
8 final form as of 1:06 p.m., right?

9 A You say from my perspective? I mean, I didn't have any  
10 other edits that I was contemplating, but I was waiting for  
11 feedback from the others.

12 Q Right. Okay. The subject line of the original e-mail  
13 that you had sent to yourself, the Bloomberg message is  
14 BWIC/OWIC/IOC Monday 9/15 3 p.m., right?

15 A Yes.

16 Q So you had already decided at 1:04 that you weren't  
17 actually going to send out the market quotation request until 3  
18 p.m., right?

19 A I guess this was contemplated for 3 p.m.

20 Q And that's when you wanted to send it out, right?

21 A At the 1 o'clock timeframe, yeah.

22 Q And where did that 3 p.m. time come from, was it provided  
23 to you by one of the managing members?

24 A No, I believe this is just my language. Just when you  
25 said 3 p.m., this is not the when sending out, this is when

1 they'll be with OWIC would happen.

2 Q Right, when you anticipated sending it out.

3 A No, no, this would be when I would receive responses by 3  
4 p.m. The when with BWIC/OWIC should be 4.

5 Q So you were saying at 1:04 p.m. that you would send it out  
6 shortly and then receive responses by 3 p.m.

7 A So when you say a BWIC or OWIC, or I guess people -- OWIC  
8 is less popular, but BWIC/OWIC when you send it out, you send  
9 it out four times. So you say I want to do a BWIC/OWIC and  
10 then you'll say at such and such time, this is when I'd like to  
11 receive responses by.

12 Q So you were contemplating at 1:04 sending it out at some  
13 point shortly thereafter and then receiving responses at 3 p.m.

14 A Yes.

15 THE COURT: Can I ask a clarifying question?

16 THE WITNESS: Sure.

17 THE COURT: In a normal BWIC/OWIC situation --

18 THE WITNESS: Yes.

19 THE COURT: -- normal meaning not on September 15th -  
20 -

21 THE WITNESS: Right.

22 THE COURT: -- when you say 3 p.m., you want to do  
23 BWIC/OWIC at 3 p.m., does that mean you want to have -- do a  
24 BWIC/OWIC at 3 p.m. or can you explain that?

25 THE WITNESS: Right, so maybe I can just give some

1 context first, yeah. In the normal --

2 THE COURT: You know what I mean by this?

3 THE WITNESS: Yes.

4 THE COURT: Okay.

5 THE WITNESS: Well, I think. Why don't I speak  
6 generally.

7 MR. ANDREOLI: Mr. Wollman, can we get that  
8 demonstration on the record, please?

9 THE COURT: It's a onetime only.

10 THE WITNESS: Yeah. I don't think I can do it just -  
11 -

12 THE COURT: Do you understand my question though?

13 THE WITNESS: Yeah. So BWIC/OWIC bids one and in  
14 competition --

15 THE COURT: Yes.

16 THE WITNESS: -- you're trying to have an auction  
17 occur.

18 THE COURT: That's this.

19 THE WITNESS: Yes.

20 THE COURT: Right.

21 THE WITNESS: And so the auction you need a time when  
22 people need to give you responses by. So when you send it out,  
23 you identify the time when you want people to come back to you.  
24 Whether or not they actually come back to you at that time is a  
25 separate matter, but that's the time that you are saying you'd

1 like to conduct the process.

2 THE COURT: Conduct an auction.

3 THE WITNESS: So right. So you'd like to have  
4 responses in at that time, and then presumably at that time or  
5 shortly thereafter you go through the process of who you want  
6 to trade with, if anyone.

7 THE COURT: Thank you.

8 BY MR. ANDREOLI:

9 Q Okay. So you ultimately didn't send out the BWIC/OWICs  
10 shortly after 1:04, you sent them out closer to 3, right?

11 A That's correct.

12 Q And in the -- that two hour time period, approximate two  
13 hour time period, were you involved in any communications with  
14 counsel about the timing of the BWIC/OWIC process?

15 A Sorry, was I personally?

16 Q Yes.

17 A I don't believe so.

18 Q Okay. Mr. Brum testified about contacts with counsel, did  
19 he convey in -- on September 15th, 2008 any communications that  
20 he had with counsel about the timing of the market quotation  
21 process to you?

22 A I don't recall. I would have seen the final language  
23 which would have been the end result of that process, but are  
24 you talking about interim communications he had?

25 Q No, I'm talking about the language of the documents. I'm

1 talking about the timing of sending it out. Are you -- did Mr.  
2 Brum convey any discussions he had with counsel about the  
3 timing of the process to you?

4 A I don't have any recollection of that.

5 Q Okay. Let's go to Exhibit 2077. Okay. So I think this  
6 is another one that you discussed with Mr. Tracey yesterday.  
7 So this is an e-mail you sent to Mr. Gold and Mr. Chu at 2:06  
8 p.m. on September 15th, right?

9 A Yes.

10 Q Okay. And in that e-mail you were directing Mr. Gold and  
11 Mr. Chu to a file on QVT's drive, right?

12 A Yes.

13 Q And your understanding is that that file was the list of  
14 positions to include in the BWIC/OWICs for the LBSF  
15 transactions.

16 A Yes.

17 Q And as far as you knew the list was final as of 2:06 p.m.  
18 on September 15th, right?

19 A So when you say the list was final, that was my  
20 understanding of the universe.

21 Q Right. You didn't make any changes to that list after  
22 2:06 p.m.

23 A I don't recall doing so.

24 Q And so from a mechanical perspective, you could have send  
25 out the market quotation request for those transactions at

1 2:06, right?

2 A Sorry. I could have you said?

3 Q Yes.

4 A So at that time, 2:06, that would've just been the  
5 aggregate levels, the aggregate positions that I had, but I  
6 don't know that it was necessarily broken out into the various  
7 subcomponents.

8 Q The sheet you looked at yesterday with Mr. Tracey had the  
9 subcomponents, didn't it?

10 A Correct.

11 Q So you're just not sure when subcomponents were created in  
12 the list.

13 A Exactly.

14 Q So we looked at the ABX/CDS portion of the list and that  
15 was final though as of 11:30, right?

16 A You're saying the positions, I think the positions were  
17 even earlier. I think that was 11:02 I generated those  
18 positions.

19 Q Right. So you're just not sure if the other tabs were  
20 created, the corporate list and the EM list?

21 A Correct. I'm not sure -- I don't recall when the  
22 splitting up of positions happened. Right, so if you recall  
23 that spreadsheet there were a number of tabs. The master tab  
24 had the universe of all the positions, and then there was the  
25 subdividing into the other tabs, but I just don't recall when

1 those individual tabs were created.

2 Q Have you seen any e-mails that suggest that the splitting  
3 happened after 2:06 p.m.?

4 A I don't think I've seen any e-mails about splitting  
5 period.

6 Q Okay. Why don't we go back to I think -- we're still  
7 having a problem with one of the spreadsheets, but let's go to  
8 the other ones.

9 Let's go to Exhibit 5950.

10 A Did you say 5950?

11 Q Yes.

12 A I don't seem to have that. Oh, no, I do, sorry, it's just  
13 not in order.

14 Q Okay. For the next few exhibits, they're going to be I  
15 think grouped together just a few out of place. 5950 shows you  
16 were the author, right?

17 A Yes.

18 Q And it shows to be created 9/16, 2008, correct?

19 A Yes.

20 Q And the filing is a Lehman claim - Tom -- a Lehman claim-  
21 Tom.xls, right?

22 A Yes.

23 Q And if you'd take a look at the spreadsheet, does this  
24 appear to be the spreadsheet that Mr. Knox would have used to  
25 populate his or value his transactions?



1 A I guess I would have to look and see his transactions. It  
2 looks like the general template.

3 Q Okay.

4 A The fact that it's Mr. Knox's I can't tell just by looking  
5 at this.

6 Q Okay. What do we have to do to help you make that  
7 determination?

8 A So we should look and see, for example, we could look at  
9 some of the positions he valued like the CDXEMs, you can see if  
10 those are there.

11 Q Okay. Should we --

12 MR. ANDREOLI: Randall, can we put a filter on for  
13 the (indiscernible) in column B and go to --

14 Q You said CDXEM?

15 A Yeah.

16 Q Is that CDX-EM?

17 A So you'd be -- you can try CDX7 for example, I think CDX7,  
18 hit okay. So there. So if you scroll to the right, actually  
19 go to the left rather, keep going to the right, keep going,  
20 yeah, so stop. So it has some overrides, the 919, which I  
21 believe he said that he used.

22 MR. ANDREOLI: Randall, can you go back a couple of  
23 columns, please?

24 THE WITNESS: So just looking at column Y which shows  
25 that he had over a 919 on those CDEXM's so it looks like at

1 least some of these positions he's populated.

2 Q Okay. And you were the one who ultimately took Mr. Knox's  
3 sheet and put it into a master tab, right?

4 A Yes.

5 Q Okay. And if you look at the metadata it shows a date  
6 modified of September 28th of 2008.

7 A Yes.

8 Q And is that when you took Mr. Knox's sheet and added it to  
9 the Lehman positions master's tab?

10 A I'm not sure if it -- it would've had to have been some  
11 time after that, I'm not sure exactly when after that.

12 Sometime between the 28th and 15th.

13 Q Okay. So to your knowledge Mr. Knox's valuation work was  
14 complete on the 28th?

15 A I don't know. Certainly this sheet seems to have been  
16 complete on the 28th. I don't know if he made any other  
17 adjustments afterwards.

18 Q Okay. Let's go to 5959. You see that this exhibit is  
19 also created by you, right, you're the author?

20 A Yes.

21 Q Okay. And date created is 9/16 of '08.

22 A Yes.

23 Q And it's in Lehman frame art serv, right?

24 A Yes.

25 MR. ANDREOLI: And if we can show the native.

1 Q Okay. Is this the version of the spreadsheet that you  
2 incorporated for Mr. Chu into the Lehman master tab?

3 A Again I'd have to check. I note that there's a preferreds  
4 tab, actually you can click on that. That looks similar in  
5 nature to what I believe is called PCDS or I forget exactly  
6 what's -- if it's called the same name in the final tab, but it  
7 looks to be a valuation that Mr. Chu would have done.

8 Q And the date modified in the metadata says 9/28/08, is  
9 that consistent with your recollection that Mr. Chu completed  
10 his valuation work on 9/28?

11 A Right, I think I should say generally. I don't know when  
12 everyone necessarily completed their work. This was when the  
13 sheet was last modified so I believe I would've taken those  
14 sheets and put them in. I don't know if there were additional  
15 -- if there was additional work done afterwards in either other  
16 sheets that were modified or whether -- within the aggregated  
17 sheet itself, but I know it was complete by October 15th.

18 So I think the -- maybe to be even a little clearer.  
19 Certainly the main merging of sheets would have happened in and  
20 around September 28th, or you know, shortly thereafter. But in  
21 terms of whether there was additional work done afterwards,  
22 it's entirely possible because we didn't submit it for at least  
23 another two weeks. So -- but I don't recall what happened post  
24 September 28th and pre-October 15th.

25 Q Okay. Let's go to Joint Exhibit 61 please.

1 A Yes.

2 Q This is another e-mail that you briefly discussed with Mr.  
3 Tracey yesterday. This is an e-mail you sent to Mr. Chofflin  
4 (ph) at Barclays September 15th, correct?

5 A Yes.

6 Q And this is a request for market quotations that you sent  
7 for QVT's non-EMCDS transactions, right?

8 A Correct.

9 MR. ANDREOLI: And if we could show Mr. Wollman the  
10 native attachment.

11 (Pause)

12 MR. ANDREOLI: Your Honor, I think we're having  
13 another technical issue. Could we have two minutes?

14 THE COURT: Sure.

15 MR. ANDREOLI: Thank you.

16 (Pause)

17 MR. ANDREOLI: Okay. Are we ready? Sorry about  
18 that, Your Honor.

19 BY MR. ANDREOLI:

20 Q So, Mr. Wollman, the cover of this e-mail notes non-  
21 EM.xls, right?

22 A Yes.

23 Q In an earlier e-mail that you had sent to JPMorgan you had  
24 actually -- you had sent the same Re line, right, it's a non-  
25 EM.xls, but you actually included an EM tab; is that right?

1 A Yes, yes.

2 Q Okay. So that was inadvertent.

3 A I believe so.

4 Q And you weren't intending to ask for quotes on the EM  
5 transaction on that list?

6 A I don't believe I was.

7 Q And the trader that you sent it to, including Ms. Jamie  
8 Benderman, she wasn't an EM trader, was she?

9 A Well, she was a sales person.

10 Q But she didn't cover EM, did she?

11 A I don't think so, she might have. I don't think she did  
12 for us.

13 Q Okay. And, in fact, when Mr. Knox sent the EM list to  
14 JPMorgan he sent it to a different person at JPMorgan, right?

15 A Yeah. I don't recall who that was, but I don't recall  
16 seeing Jamie Benderman on that list.

17 Q Okay. Let's go to Exhibit 20 -- I'm sorry, 2108 the claim  
18 calculation spreadsheet. Okay. We're going to talk about the  
19 transactions that you valued using Markit Partners information.

20 So -- okay.

21 MR. ANDREOLI: So, Randall, if we could go to the  
22 Lehman positions masters tab please, and if we could just focus  
23 on the trades that Mr. Wollman valued.

24 Q And, Mr. Wollman, the way you would do that is to filter  
25 a column BC for your initials, right?

1 A Yes, that's the way I did it earlier this morning.

2 Q Right. Okay. And then if we go to column BP, we can sort  
3 for Markit and you see it says 58 of 796 records found, is that  
4 the same number we saw this morning?

5 A I believe so.

6 Q Okay. So you mentioned the column Y of the positions  
7 master tab references the date that you chose to value the  
8 particular Markit transactions, right?

9 A Yes.

10 Q And that comp shows that you did not use Markit spreads  
11 from 9/15 to value all 58 transactions, right?

12 A Correct, I used 9/15, 9/16 and 9/17.

13 Q Right. And you were here for opening arguments on January  
14 30th, weren't you?

15 A I think so, yes.

16 Q And do you recall when QVT's counsel stated that QVT  
17 traders had Markit's closing bids for each day during Lehman  
18 week and that each trader used his judgment to select which bet  
19 -- price best reflected the replacement cost.

20 A I remember that generally.

21 Q Okay. So you and the other traders at QVT had closing  
22 Markit spreads for all five days of Lehman week when you were  
23 valuing QVT's positions with LBSF for the calculations, right?

24 A Yes, we would have Markit spreads up until the -- all  
25 spreads up until the date at which we valued it.

1 Q Okay. And you could have compared the Markit spreads on  
2 the various days of Lehman week to determine which you thought  
3 best reflected replacement costs, right?

4 A I could have -- sorry, what do you mean by that?

5 Q So you could have compared 9/15 to 9/16 to 9/17, right?

6 A You're saying like independently or I'm not sure I  
7 understand your question.

8 Q The Markit spreads for those dates were available to you,  
9 right?

10 A Yes, in our database.

11 Q And you could have compared them to each other, right?

12 A You're saying by looking through the database?

13 Q Or pulling them into a spreadsheet --

14 A Yes, yes.

15 Q -- or however you would want to do it.

16 A Yes.

17 Q And did you, in fact, pull them into a spreadsheet?

18 A We pulled them into this spreadsheet.

19 Q Sorry, different question. Did you pull the spreads for  
20 each position that you valued on each date of Lehman week and  
21 put them next to each other?

22 A No.

23 Q And the spread that's reflected in column V is the spread  
24 from the date reflected in column Y, right?

25 A Yes.

1 Q Okay. And the notional value of each of these positions  
2 is reflected in column M, right?

3 A Column M, that's the maturity.

4 Q Sorry, what did I say, notional -- sorry, notionals in C,  
5 right?

6 A Yes.

7 Q And maturity is in M, right?

8 A Correct.

9 Q Okay. Let's talk about bid mid-spreads for a second. So  
10 you testified earlier that you used or you came up with a 10  
11 percent bid mid-spread to add generally to use as a default for  
12 valuing the Markit transactions, right?

13 A Yes.

14 Q Okay. And who was involved in that decision other than  
15 you?

16 A So I believe -- so I don't know recall specifically with  
17 respect to the bid, generally those conversations around Markit  
18 Partners, Markit partners would have involved Arthur Chu, Yu  
19 Sen, myself, possibly other portfolio managers weighed in as  
20 well, but I would think at least those two would have been  
21 involved.

22 Q And there's no document you've seen that memorializes why  
23 you picked 10 percent, right?

24 A No.

25 Q Okay. Let's go back to 2108. All right. So we're still



1 filtered on just the transactions that you valued using Markit  
2 spreads.

3 MR. ANDREOLI: Randall, if we could filter on column  
4 Y for the 9/15 transactions.

5 Q Okay. And we get ten records, right?

6 A Yes.

7 MR. ANDREOLI: Okay. If you want to flip to, just in  
8 hard copy, Randall, why don't you stay where you are.

9 Q But you can flip in hard copy to tab 5951.

10 A Sorry, Exhibit 5951?

11 Q Yes. And that should be a demonstrative exhibit. And,  
12 Mr. Wollman, does the first snapshot, is that the same ten  
13 entries that you see on the screen now that you valued using  
14 9/15 Markit spreads?

15 A It appears to be, yes.

16 Q Okay. And so what we've done is we've focused on just  
17 some columns when we talk about --

18 MR. TRACEY: I'm sorry, Your Honor, I'm just having  
19 trouble finding it. Can you hold on?

20 MR. ANDREOLI: Yeah.

21 MR. TRACEY: Okay. Thank you.

22 BY MR. ANDREOLI:

23 Q Okay. All right. So these are the transactions you used  
24 Markit spreads from 9/15 to value, right?

25 A Yes.

1 Q And you thought Markit spreads on 9/15 were reliable for  
2 those ten transactions, right?

3 A Yes.

4 Q Okay. And you heard Mr. Regan say in opening that QVT's  
5 traders used Markit prices for 9/15 when they thought they  
6 probably could have traded on that date, right?

7 A Yes.

8 Q Is that why you chose 9/15 for these trades?

9 A Sorry, is it -- did I choose these because I thought we  
10 could have traded them on 9/15?

11 Q Right.

12 A That would've been part of it. Obviously if I didn't  
13 think we could have traded them on 9/15 I would not have used  
14 9/15.

15 Q All right. Well, let's focus on HSBC trades that you  
16 valued using 9/15 Markit prices.

17 A Okay.

18 Q So you're not actually sure why you used 9/15 prices or  
19 spreads to value those positions, are you?

20 A I can't tell you specifically why for HSBC FIN, I used  
21 9/15.

22 Q Okay. So let's look at in the demonstrative to column N,  
23 there was ten trades that you valued using 9/15 Markit spreads,  
24 the maturities varied from June of 2010 to September of 2012,  
25 right?

1 A Yes.

2 Q And you used 9/15 Markit spreads to value the transactions  
3 despite the difference in maturity, right?

4 A Well, they were also -- I mean, some of these indices and  
5 some of these are single names, they're not all the same type  
6 of security. For example, I used -- as I believe I mentioned  
7 this morning, I used 9/15 for the CDX4 generally so that's --  
8 that influences the date selection here as well.

9 Q Right, irrespective of size or irrespective of maturity,  
10 right?

11 A Correct.

12 Q And the CDX transactions that you're mentioning, those are  
13 relatively short dated, right, they had less than two years to  
14 maturity.

15 A Yes.

16 Q Okay. And you used a 10 percent bid mid for all of these  
17 transactions, right?

18 A Yes.

19 Q And that was regardless of the maturity, right?

20 A Yes.

21 Q And regardless of the notional size, right?

22 A Yes.

23 Q Okay.

24 MR. ANDREOLI: Randall, if you could filter on column  
25 Y for 9/16 please.

1 Q So the trades that we've just filtered for there's 12  
2 transactions, that should be the second chart that's in Exhibit  
3 9591. Does that look right to you, Mr. Wollman?

4 A So I'm just doing a quick cross-check here. Yeah, those  
5 seem to match.

6 Q Okay. And Markit spreads were available for all 12 of  
7 these transactions on 9/15, right?

8 A I would have assumed so.

9 Q Did you ever check?

10 A Did I ever? I might have.

11 Q You don't recall though.

12 A Correct.

13 Q And you testified you used 9/16 prices or spreads to value  
14 transactions because you hadn't completed your market  
15 quotation process until after the close of business on the  
16 15th; is that right?

17 A Yeah, generally 9/16 would be the earliest that we could  
18 transact post-market quotation process.

19 Q But QVT had actually entered into 19 replacements on the  
20 15th, right?

21 A Yes, I believe that was before the market quotation  
22 processed that.

23 Q Right.

24 A Yes. To be clear, I'm not saying we couldn't have traded  
25 on 9/15, I'm saying we couldn't have traded after the market

1 quotation process on 9/15. The market quotation process had  
2 not yet concluded by the end of 9/15.

3 Q What do you mean by that? You mean because you got some  
4 responses the following morning?

5 A Correct up till I believe it was 1 p.m. the next day.

6 Q So at what time did you determine that the market  
7 quotation process was closed?

8 A I believe when we stopped receiving responses. But I  
9 don't know that we officially deemed it as closed/closed as in  
10 please nobody respond to us anymore, it's just we didn't  
11 receive any more responses.

12 Q Well, you didn't know at the time that you weren't going  
13 to receive any more responses, correct?

14 A Correct. I'm saying I don't think there was an official  
15 let's call this thing closed per se, but at some point we  
16 realized that it was closed.

17 Q Okay. And you see that trades in the second snapshot  
18 that's in the demonstrative 5951 you see that the trades have  
19 varying maturities ranging from 2009 to 2015, right?

20 A Yes, again I'll point out that some of these are indices  
21 as well, but that's correct.

22 Q And you valued all of them using 9/16 Markit prices  
23 despite that difference in maturity, right?

24 A Yes.

25 Q And you used the same bid mid-spread 10 percent to value

1 these transactions, right?

2 A Yes.

3 Q And that was despite the difference in maturities.

4 A Yes, again as I said, yes.

5 Q And you used that same bid mid-spread despite the  
6 difference in notional, right?

7 A Yes.

8 Q Okay. Why don't we do 9/17.

9 MR. ANDREOLI: So column Y, let's filter for 9/17.

10 THE WITNESS: This is going to take me a little  
11 longer to crosscheck.

12 Q Just let Randall know when you need to move down.

13 A Yeah, can you move down.

14 Yeah. I believe that's right.

15 Q Okay. And you can see in the lower left-hand corner of  
16 the screen there's 36 transactions that you valued using 9/17  
17 Markit spreads, right?

18 A Yes.

19 Q And again Markit spreads for these 36 transactions were  
20 available on 9/15, right?

21 A I believe so.

22 Q And you'll see that these 36 transactions in column M of  
23 maturities range from 2010 to 2015, right?

24 A Yes.

25 Q And you valued them all using 9/17 Markit spreads despite

1 the difference in maturities, right?

2 A Yes.

3 Q And you valued them all using 9/17 Markit spreads despite  
4 the difference in notional size, right?

5 A Yes.

6 Q Other than the Citadel trades use the same 10 percent bid  
7 mid for all these trades, right?

8 A Yes.

9 Q And that was despite a difference in notional size.

10 A Yes.

11 Q And that was despite the difference in maturities, right?

12 A Yes.

13 MR. ANDREOLI: Would now be a good time for a break,  
14 Your Honor?

15 THE COURT: Sure. How much more do you think you  
16 have?

17 MR. ANDREOLI: I think less than hour, but let me  
18 look at the book.

19 THE COURT: Okay. All right. So why don't we try to  
20 come back at 20 minutes after the hour.

21 (Recessed at 3:12 p.m.; reconvened at 3:26 p.m.)

22 THE COURT: If you're uncomfortable, you can take  
23 your jackets off, I really mean it. Sometimes I force people  
24 to take their jackets off.

25 All right. So could we just get a level set on what

1 we're going to do for the rest of the day and tomorrow in terms  
2 of timing. So you think you need another hour with Mr.  
3 Wollman.

4 MR. ANDREOLI: Maybe less, but.

5 THE COURT: And then redirect do you think, Mr.  
6 Tracey?

7 MR. TRACEY: I'll have some redirect. I don't think  
8 it'll be much.

9 THE COURT: And would it be your intention to start  
10 with Professor Flutter (ph) whenever we finish or did you want  
11 to do a hard stop and then just start tomorrow morning?

12 MR. TRACEY: I think if it's after 4:30 we'll  
13 probably quit for the day --

14 THE COURT: Okay.

15 MR. TRACEY: -- if it's okay and then start in the  
16 morning.

17 THE COURT: And then if you had your druthers, would  
18 you like to start at 9:30?

19 MR. TRACEY: That'd be wonderful, you read my mind.

20 MR. TAMBE: So while we're on that subject, how long  
21 do you think the direct is going to be of Professor Flutter?  
22 With minimal interruptions from me.

23 MR. TRACEY: With minimal interruptions from you I  
24 would say two hours.

25 MR. TAMBE: Okay. That's fine. We should not have a



1 time crunch then.

2 MR. TRACEY: I think we'll be done.

3 THE COURT: Then I think all will be well. Okay,  
4 great.

5 MR. ANDREOLI: Randall, could you please pull up  
6 Exhibit 2090 please? And it's a native.

7 BY MR. ANDREOLI:

8 Q So this is one that we looked at yesterday, Mr. Wollman,  
9 you can look at the hard copy in your binder just for the  
10 metadata and then Randall will pull up the spreadsheet.

11 Okay. Do you recall the file name as a document that we  
12 looked at yesterday being BWIC BESH OWIC master (ph)?

13 A Yes, I do.

14 Q Okay. I think you testified yesterday that the master  
15 list is the full universe of transactions that were identified  
16 to include a non-market quotation process?

17 A Yes.

18 Q And then the other tabs, the ABX index EM and single named  
19 tabs were the lists that actually were sent; is that right?

20 A Yes, although I should just point out that the single name  
21 and index were combined as -- into one, two separate tabs but  
22 sent out jointly, and then a separate ABX and a separate EM.

23 Q Right. Okay. You testified yesterday that there were two  
24 types of positions between QVT and LBSF that did not make it  
25 into the master tab. Do you recall that?

1 A Yes, I do.

2 Q And I believe you said that they were interest rate swaps  
3 and recovery swaps.

4 A Yes.

5 Q Okay. And I think you were for Mr. Fu's testimony about  
6 the interest rate swaps, right?

7 A Yes.

8 Q Okay. And those have a TIFI (ph) includes USD I believe.

9 A Yes.

10 Q Can you identify what the TIFI is for the recovery swaps?

11 A Yes. Well, I can't off the top of my head. It's the res  
12 cap recovery swap, so the --

13 Q If we show the 2108 can you identify them?

14 A I should be able to, yes.

15 MR. ANDREOLI: 2108.

16 THE WITNESS: Yeah. I guess if you wouldn't mind  
17 clearing the filter, yeah, and just do a search for res cap,  
18 okay, sure.

19 So rows 656 and 657 res cap-120920\_RS44.bang -- .!  
20 and then the Q as well.

21 BY MR. ANDREOLI:

22 Q So it's just the two, it's not the -- it's not 658 and  
23 659?

24 A That's correct. Those were captured. It's just those  
25 two, the two res caps.

1 Q And when did you learn that these two res cap recovery  
2 swaps had not been included in the market quotation process?

3 A Very recently.

4 Q And you actually did some work to try to figure out which  
5 transactions had not been included prior to very recently,  
6 right?

7 A Sorry, can you be more specific?

8 Q In the last year you assisted with identification of  
9 positions that are not been included in the market quotation  
10 process.

11 A Sorry, just to be more specific, so are you referring to  
12 with respect to my deposition?

13 Q Yes, the transactions you identified in your deposition.

14 A Yes.

15 Q Okay. And so you actually performed work to try to  
16 identify transactions that were not included in the market  
17 quotation process.

18 A Yes.

19 Q Okay. So how did you miss these?

20 A How did I miss these? I guess -- I don't believe I  
21 consulted the -- well, I don't believe I consulted the master  
22 list --

23 THE COURT: Can I just have -- you started with the  
24 words I guess.

25 THE WITNESS: Right.

1 THE COURT: Okay. So if you know, great; if you  
2 don't know, if you'd just let us know.

3 THE WITNESS: Sure. I can say definitively that I --  
4 the earlier point in time I had not consulted the master list.  
5 So I had just consulted the positions that were on the sheet  
6 and the individual list positions and I looked through them and  
7 somehow I had missed the RS, but I don't know how I missed it.

8 BY MR. ANDREOLI:

9 Q Okay. How did you end up valuing -- well, did you value  
10 these two particular positions?

11 A I did not.

12 Q Okay.

13 MR. ANDREOLI: Can we go to tab or I'm sorry, column  
14 BC to see who did?

15 Q That's Mr. Sand, right?

16 A Yes.

17 Q So I think in QVT's pretrial brief it said that there were  
18 44 transactions that were not included in the market quotation  
19 process; is that right?

20 A I believe that's right, yes.

21 Q So it's not actually 44 it's 46.

22 A Yes.

23 Q Okay. And you were here during Mr. Knox's testimony  
24 yesterday, right?

25 A Yes.

1 Q And you recall his testimony about certain Venezuela  
2 positions that he removed from the market quotation  
3 solicitation that he sent on the EM list?

4 A Yes.

5 Q When was the first time you learned that Mr. Knox had  
6 removed those Venezuela positions from the EM list?

7 A Very recently.

8 Q As in yesterday?

9 A As in within the last week or so I believe.

10 Q How did you learn that?

11 A I believe that I saw it yesterday and I might have -- and  
12 I think I was asked about it a couple of days prior to that, so  
13 I was aware.

14 Q Was it after the start of trial?

15 A Yes.

16 Q Okay. And so how did you miss those when you were asked  
17 to figure out which positions were not included in the market  
18 quotation process?

19 A So those were originally on my list, so I guess I just  
20 hadn't realized that the list that went out was not that list.

21 Q So when you tried to determine which positions market  
22 quotations were sought on, you didn't actually go to a list  
23 that was sent out?

24 A I believe the initial check was against that spreadsheet,  
25 so yes, I missed that.

1 Q And how many Venezuela positions did not get included in  
2 the market quotation process?

3 A I believe from yesterday Mr. Knox had mentioned there were  
4 three positions, but QVT quintessence so I believe it would  
5 have been six.

6 Q So it's not 46 transactions that were not included in the  
7 market quotation process it's 52?

8 A That's correct.

9 Q So yesterday you talked about some of the transactions  
10 that were -- that you had discovered earlier were not included  
11 in the market quotation process, right?

12 A Yes.

13 Q So that was the carb (ph) transactions, the ABX  
14 transactions, the MLMI transactions and the STSU transactions,  
15 right?

16 A Yes.

17 MR. ANDREOLI: And sorry, Randall, can we pull up to  
18 2920?

19 Q Okay. And all of the transactions I've just listed are  
20 included in the master sheet, right?

21 A Yes.

22 Q Okay.

23 MR. ANDREOLI: And, Randall, can we filter column A  
24 for ABX? You can include ABX 2 I think.

25 Q Is that considered an ABX trade?

1 A Yes.

2 Q So I believe you mentioned yesterday that all of the  
3 transactions I just listed were ABX transactions, right?

4 A Yes.

5 Q But that's not actually how the ABX transactions are  
6 characterized in the claim calculation spreadsheet, right?

7 A Sorry. I don't know what you mean by characterize.

8 Q So there's the column that identifies the transactions by  
9 category, right, ABX, index, et cetera.

10 A Sorry. I'm not sure what you're calling the spreadsheet.

11 MR. ANDREOLI: Yeah, can we go to 2108, Randall?

12 Okay. Can you remove the filters? Can we go to  
13 column AY?

14 (Pause - conversation between Judge and counsel regarding  
15 window)

16 THE COURT: Sorry, didn't mean to interrupt your  
17 train of thought.

18 MR. ANDREOLI: It's okay.

19 THE COURT: We were trying to figure out the  
20 terminology on ABX versus ABF.

21 BY MR. ANDREOLI:

22 Q Right, so column AY, Mr. Wollman, are you familiar with  
23 that column?

24 A Yeah. I guess I'm just struggling to remember how -- if  
25 we go to AY4, what is it? Just that cell. Yeah. I'm not sure

1 exactly how that's populated.

2 MR. ANDREOLI: Okay. Can we filter column B,  
3 Randall, for ABX.

4 Q Right. So it characterizes index trades in this  
5 spreadsheet, right?

6 A Yes. I mean they are both ABX and index, my question is  
7 I'm not sure what AY is intended to signify necessarily.

8 Q Okay. And the ABX and CNBX transactions are similar in  
9 some ways, right?

10 A Yes.

11 Q In what list did the CNBX trades go on?

12 A I believe it was on the index list.

13 Q Right. And is that where you would have included them on  
14 the -- in the list if you had actually included them?

15 A The ABX?

16 Q Yes.

17 A You're saying if -- what would I have done at the time for  
18 ABX? Actually I'm not sure, it probably would've been an  
19 expedite, I don't know for sure.

20 Q Okay. Earlier today, Mr. Wollman, you talked about  
21 certain positions that QVT and Lehman had agreed to unwind  
22 prior to Lehman's bankruptcy.

23 A Trades that we --

24 Q Do you recall that?

25 A -- had entered into prior.



1 Q Yes.

2 A Yes.

3 Q Right. And some of them were full on lines and some were  
4 partials, right?

5 A Yes.

6 Q But for all of those on line positions, those were  
7 agreements that Lehman and QVT reached prior to 9/15, right?

8 A Yes.

9 Q And you had been asked about how -- how QVT had valued  
10 them other than in connection with the price that was agreed,  
11 right?

12 A Yes.

13 Q But QVT and Lehman had an agreement to value them at that  
14 price, right?

15 A Yes, but the trades hadn't settled, so an unsettled trade,  
16 despite the fact that it had been previously agreed upon is  
17 sort of irrelevant, like if the trade doesn't settle the  
18 trade's not done.

19 You're saying that the trade was agreed upon principal but  
20 never actually settled. So in other instances where we agree  
21 upon trades with people and then they ultimately don't settle,  
22 there's no additional form of recourse it's as if the trade  
23 just never happened.

24 You're saying so if the trade had never happened, which it  
25 didn't, in fact, happen because it never settled, then it would

1 have been as if it was just part of our original positions, in  
2 which case it would've been valued according to the replacement  
3 methodology that we used.

4 Q But you did have an agreement with Lehman to value it at a  
5 certain price.

6 A Yes, and they didn't fulfill their obligation.

7 Q Okay. Let's talk about broker runs.

8 MR. ANDREOLI: So, Randall, can we bring up -- oh,  
9 we're at 2108, can we filter BC for Mr. Wollman's initials?

10 THE COURT: Did you testify earlier that those were  
11 bids or offers?

12 THE WITNESS: So, right, so I testified that the  
13 levels we unwound them at were the bid side of the market --

14 THE COURT: Right because --

15 THE WITNESS: -- because we sold protection and there  
16 was -- sorry, I'll rewind.

17 I testified earlier that the levels we had transacted  
18 at were at the bid side of the market because we were selling  
19 protection and then the dealer was showing us a bid on those  
20 transactions.

21 MR. ANDREOLI: May I approach, Your Honor?

22 THE COURT: Yes. Thank you.

23 THE WITNESS: Okay. Thanks.

24 BY MR. ANDREOLI:

25 Q I've handed around Exhibit 5967, Mr. Wollman, if you could

1 take a look at this document and let me know when you're  
2 through.

3 A Yes, okay.

4 Q Okay. So this is a memorialization of one of the unwinds  
5 that happened on September 11th, right, that we've just been  
6 discussing?

7 A I believe so. We can check the spreadsheet to see if it's  
8 on there, but I believe it would've been captured there.

9 Q Okay. And this e-mail reflects the terms that you and  
10 Lehman agreed to for this trade, right?

11 A It appears to, yes.

12 Q Okay. Sorry, let's talk about broker runs.

13 MR. ANDREOLI: Can we go back to 2108?

14 Okay. Can you filter on BC for Mr. Wollman, after  
15 we've done that, can we go to -- okay, that's good. And then  
16 filter column BP for broker run.

17 Q Okay. So these are the 68 trades and values for broker  
18 runs, right?

19 A Yes.

20 Q And these -- you talked about these 68 trades earlier with  
21 Mr. Tracey, right?

22 A Yes.

23 Q And so there's usually one broker run that's referenced  
24 and I believe it's column AE; is that right?

25 A Yes.

1 Q And that's the broker run that you actually used to value  
2 these trades, right?

3 A Yes.

4 Q But that's not a full set of the broker runs that were  
5 available for these trades on those dates, right?

6 A In some cases they are, in other cases they are not.

7 Q Okay. Can you identify the trades where there were  
8 multiple broker runs that you didn't use?

9 A That's going to be hard to do from memory. But I can say  
10 -- I can make a general statement, which is that the opt to run  
11 CDX indices would not have had very many broker runs, there  
12 would be more broker runs on the ABS and CMBX.

13 Q But do you know that there were no other broker runs than  
14 the ones you used?

15 A Do I know that there are no -- I can't say with certainty.

16 Q And in 2008, QVT had a subscription or license for the B  
17 quote service; is that right?

18 A Yes.

19 Q And can you describe for the Court what the B quote  
20 service is?

21 A So B quotes is a software that essentially catalogs a  
22 bunch of Bloomberg messages and then offers a facility for  
23 search those Bloomberg messages.

24 Q So e-mails get sent to e-mail addresses, they go into B  
25 quotes, right?

1 A Well, most of those are populated off of Bloomberg's, so  
2 Bloomberg will go to Bloomberg addresses, and then those  
3 Bloomberg's will be forwarded to a QVT e-mail and then that  
4 serves the basic source information for what then the B quotes  
5 program relies upon.

6 Q So the purpose of B quotes is to collect broker runs and  
7 so you as an individual can search the database to find the  
8 best pricing information available, right?

9 A Well, I think the way they characterized their value was  
10 more of a real time parsing of broker runs, so that you could  
11 see really what the sort of best bid/best offer was at any  
12 point in time, given a large universe of Bloomberg's, competing  
13 essentially with Bloomberg's own native search capabilities.  
14 So you could search things on Bloomberg too, it's just this was  
15 marketed as a quicker, faster way of, you know, comparing a  
16 bunch of different things.

17 Q And you didn't use the B quote service to look for any  
18 broker runs for any of these trades, did you?

19 A I don't believe I was using B quotes at that point.

20 Q So the answer to my question is no?

21 A Yes. I'm sorry, yes, the answer to your question is no.

22 Q To your knowledge, did any of the other traders that were  
23 involved the valuation process use B quotes to look for broker  
24 runs?

25 A I'm not sure.

1 Q Okay. Let's go to the CMBX trades.

2 MR. ANDREOLI: Randall, could you filter column B for  
3 -- no, you can stay where you are and just filter for CMBX?  
4 CMBX, sorry.

5 Q Okay. And so these are -- I think you testified earlier  
6 about these 14 trades that you value using broker runs, right?

7 A Yes.

8 Q And you used three different broker runs to value this  
9 group of trades, right?

10 A Yes.

11 Q You used a broker run for Morgan Stanley from 9/15 to  
12 value two trades, right?

13 A Yes.

14 Q You --

15 A Actually if we can go to column AE it'll be easier to  
16 confirm.

17 Q Sure. AF.

18 A AF rather, yes.

19 Q And you used a run from JPMorgan to value ten of these  
20 positions, right?

21 A Yes.

22 Q And that's from -- that run was from 9/16, correct?

23 A Yes.

24 Q And then you used a run from 9/19 to value the remaining  
25 two positions, right?

1 A Yes.

2 Q And that 9/19 run was from Deutsche Bank, right?

3 A Yes.

4 Q And the two trades that you valued using the 9/19 Deutsche  
5 run were the only CMBX trades where you were selling  
6 protection, right?

7 A Yes.

8 Q And the run that you used to value those two trades from  
9 DB was more favorable to QVT than the 9/16 run from JPM, right?

10 A If I could pull up the run I could confirm that.

11 Q Sure. Would you like to see both? Let's see --

12 A Well, it shows what we used, so I can just check the bid  
13 on 9/16. Sorry I just don't remember what exhibit that is.

14 Q The broker run for 9/16 is 1606.

15 A I'm sorry JX or --

16 Q I think it's in another file.

17 A Oh, is it in the white one? I have the white one.

18 Q Yeah. 1606.

19 A Yes.

20 Q So using the DB run was favorable to -- from 9/19 was  
21 favorable to QVT, right?

22 A Yes.

23 Q So, Mr. Wollman, you talked briefly today about the 12  
24 transactions that you valued using the market quotation process  
25 where you have three or more responses. Do you recall that

1 testimony?

2 A Yes.

3 Q And the -- you believe the three responses you received  
4 were actionable, right, for those 12 trades?

5 A I believe that the instructions were that they should be  
6 actionable and so I interpreted the response as such.

7 Q Okay. And notwithstanding the fact that you received  
8 those three responses, you didn't enter into replacement trades  
9 for any of those, right?

10 A No, but they were trading close to a hundred points up  
11 front.

12 Q And other than seeking market quotations on September  
13 15th, you didn't make any effort to replace any of the  
14 transactions valued, right?

15 A Did I make any attempt to replace, I don't recall.

16 MR. ANDREOLI: Can we flip to Exhibit 2147 please? I  
17 think it's out of order in our binder.

18 THE WITNESS: But back to the black binder.

19 Q Yeah, sorry, and actually maybe I think it's the last one  
20 that's out of order.

21 A I'm sorry, 2147 you said?

22 Q Yeah.

23 A CX-2147?

24 Q Yes, the very last tab in the binder.

25 A Yes.



1 (Pause)

2 Q The e-mail is on the screen and the metadata is in your  
3 binder. Let me know when you're ready.

4 A Yes, I'm ready.

5 Q Okay. So you see this is an e-mail that you sent to Tom  
6 on September 15th at 2:56 p.m., right?

7 A Yes.

8 Q And the subject line is BWIC OWIC 080915 3 p.m. EM  
9 only.xls, right?

10 A Yes.

11 Q So this is the list for the EM trades that you were  
12 intending to have Mr. Knox send out for the EM dealers, right?

13 A Yes.

14 Q And you see in the metadata it says that you sent it to  
15 Thomas A. Knox@gmail.com, right?

16 A Yes.

17 Q Why did you send it to his Gmail account?

18 A I don't know, but I have a good guess. I'll let you  
19 decide what to do with that.

20 Q So you testified or I think you didn't use a personal e-  
21 mail address for business purposes, right?

22 A Correct.

23 Q Did Mr. Knox use a personal e-mail for business purposes?

24 A I don't believe so.

25 Q Are you aware of any other e-mails you ever sent to Mr.

1 Knox at his Gmail address that related to work matters?

2 A No.

3 Q Okay. You remember you were deposed this past year in  
4 August, right?

5 A Yes, I do.

6 Q Okay. And in preparation for those depositions you talked  
7 to Mr. San about the transaction T value, right?

8 A Yes.

9 Q And it's fair to say that Mr. San did not recall anything  
10 about valuing those transactions at that time, right?

11 A He had some general recollections, but nothing as it  
12 applied to the specific securities at that time.

13 MR. ANDREOLI: Just one moment.

14 (Pause)

15 MR. ANDREOLI: Nothing further, Your Honor.

16 THE COURT: All right. Thank you. Yes.

17 MR. TRACEY: Before we start the redirect, I just  
18 wanted to cover one document issue that I think we left open.

19 THE COURT: Okay.

20 MR. TRACEY: And it related to the market quotation  
21 responses that I began to go through with Mr. Wollman  
22 yesterday.

23 THE COURT: Okay.

24 MR. TRACEY: And we had a sidebar and I think off the  
25 record we had a discussion about the admissibility of those

1 documents without having to go through them individually.

2 THE COURT: Yes.

3 MR. TRACEY: And we've had discussions since then  
4 with --

5 THE COURT: It's working off of the -- using the  
6 demonstrative as kind of a master.

7 MR. TRACEY: Well, right, that was one thing we were  
8 talking about. I think the first thing we were talking about  
9 is whether the actual documents would be admitted into evidence  
10 as having been received by QVT in response to their market  
11 quotation process.

12 THE COURT: Right, right.

13 MR. TRACEY: And so we've agreed and counsel can  
14 correct me if I'm wrong, that the documents that are included  
15 in the composite Exhibit 2087, are agreed to have been received  
16 by QVT in response --

17 THE COURT: Okay.

18 MR. TRACEY: -- to market quotation; is that  
19 accurate?

20 MR. ANDREOLI: Sorry. I think we checked to make  
21 sure that the exhibits in the demonstrative, we're okay with  
22 them coming in to show that they were received. I don't know  
23 that we double-checked the demonstrative against the actual  
24 packet of exhibits.

25 THE COURT: Okay. Hold on.

1 MR. ANDREOLI: We've got too many to match at the  
2 time.

3 THE COURT: Let me make sure. I'm looking at this  
4 document --

5 MR. TRACEY: That's the solicitation.

6 THE COURT: And the back is responses.

7 MR. TRACEY: Correct.

8 THE COURT: Right? So it's marked as Claimant's  
9 Exhibit 2103, CSX-2103 and it's -- the heading is September 15,  
10 '16 responses and then there's a series of actual exhibit  
11 numbers.

12 MR. TRACEY: Right.

13 THE COURT: So you've agreed that each of these,  
14 Lehman agrees, stipulates that these have been -- were  
15 received.

16 MR. TRACEY: That's my understanding.

17 THE COURT: Admissible as having been received by  
18 QVT.

19 MR. ANDREOLI: I think for just point of  
20 clarification, Your Honor --

21 THE COURT: Yes.

22 MR. ANDREOLI: -- that exhibit is not -- has an  
23 incorrect page on it. It's actually 2104 that has the  
24 responses.

25 MR. TRACEY: We've actually --

1 THE COURT: I see. So this one --

2 MR. ANDREOLI: The back page should be 2104.

3 THE COURT: The back page is 2104, okay. We're  
4 talking about the same universe, right?

5 MR. TRACEY: We are. Just to make things a little  
6 more complicated --

7 THE COURT: Sure, why not.

8 MR. TRACEY: -- we have revised 2104 in consultation  
9 I believe with Jones Day --

10 THE COURT: Okay.

11 MR. TRACEY: -- to make a couple of corrections.

12 (Pause)

13 THE COURT: Get me an extra for good measure. All  
14 right. So --

15 MR. TRACEY: So we're agreed that the responses  
16 listed on 2104 have been -- were received by QVT --

17 THE COURT: Okay.

18 MR. TRACEY: -- in response to market quotations.

19 There is not agreement on the specific and the rest  
20 of the columns of the demonstrative. That's our heritization  
21 so it's demonstrative, it's the way we see it.

22 THE COURT: Now I don't understand because -- so 2104  
23 there's an exhibit number that's unremarkable, right?

24 MR. TRACEY: Right.

25 THE COURT: And there's a market maker sender.

1 MR. TRACEY: Right.

2 THE COURT: Right. And then there's a date and time.

3 MR. TRACEY: Right.

4 THE COURT: And so you're not agreeing on the content  
5 column is that the issue?

6 MR. TRACEY: I think they don't agree on the content  
7 column, right?

8 MR. ANDREOLI: And I think you all are fixing a  
9 couple of the date and time, they've been fixed. Okay.

10 THE COURT: Right, so I'm confused because that --

11 MR. TAMBE: If I can help maybe, sometimes I can.

12 THE COURT: Sometimes.

13 MR. TAMBE: Sometimes. So I think we're in agreement  
14 that these are the exhibits that were received by QVT.

15 THE COURT: Right.

16 MR. TAMBE: We have no problem with the CVS column.

17 THE COURT: Okay.

18 MR. TAMBE: Nor do we have any issue with the market  
19 maker sender.

20 THE COURT: Okay.

21 MR. TAMBE: I think we had a question about date and  
22 time because sometimes they were being forwarded internally  
23 within QVT, and what we wanted to make sure is what's picked up  
24 as the date and time that it's --

25 THE COURT: Okay. Well --

1 MR. TAMBE: -- received by QVT not forwarded  
2 internally.

3 THE COURT: And the content --

4 MR. TAMBE: Not that it -- we would characterize it  
5 this way, Your Honor.

6 THE COURT: All right. So we're going to X out the  
7 content column.

8 MR. TAMBE: Yes.

9 THE COURT: But what I would suggest to make this the  
10 most useful is that somebody at some point go back and check  
11 the date and time, and as long as it's accurate and you agree  
12 then let's put it in that way.

13 MR. TRACEY: We will do that.

14 THE COURT: All right? Okay. Great.

15 MR. TRACEY: Thank you, Your Honor.

16 THE COURT: Okay. Are we going to be working from  
17 this now?

18 MR. TRACEY: No.

19 THE COURT: No, okay.

20 REDIRECT EXAMINATION

21 BY MR. TRACEY:

22 Q So, Mr. Wollman, on your cross-examination you were asked  
23 some questions about a document we can pull it out if you don't  
24 recall it, where you were preparing to do a BWIC OWIC at 3  
25 o'clock.

1 A Yes.

2 Q Do you recall that?

3 A Yes.

4 Q It was a little after 1 o'clock.

5 A Yes, I do.

6 Q Can you explain to the Court what your understanding was  
7 of that process?

8 A Yes.

9 Q And that you expected at that time in response to  
10 BWIC/OWIC to have an auction at 3 o'clock.

11 A Yes.

12 Q Did you understand the market quotation process to be the  
13 same process?

14 A No.

15 Q What was the difference in your mind?

16 MR. ANDREOLI: Objection, foundation.

17 Q And I'm only asking you what you knew and believed in  
18 September of 2008.

19 THE COURT: With respect to what a market quotation  
20 process entailed?

21 MR. TRACEY: Right.

22 THE COURT: Okay.

23 THE WITNESS: So at that point, that was preparing to  
24 send out BWIC/OWIC there was none of the ISDA related language  
25 associated with it. By the time that the market quotation was



1 sent out I had a different understanding of what was required  
2 per the ISDA, and so particularly with respect to the language  
3 around as of time that that was different than when I had  
4 originally formulated the BWIC.

5 BY MR. TRACEY:

6 Q So at the time you sent out the market quotation  
7 solicitations, did you expect there to be a --

8 MR. TRACEY: Your Honor, may I? At 4 o'clock?

9 (Laughter)

10 THE COURT: We need the sketch artist back.

11 MR. ANDREOLI: I don't object to the hand gestures,  
12 but I do object to the leading.

13 BY MR. TRACEY:

14 Q Did you expect there to be an auction I think is the --

15 THE COURT: I think that's a fair question.

16 THE WITNESS: Sorry, can you -- all the hand  
17 gesturing.

18 Q When you sent out the market quotation requests --

19 A Yes.

20 Q -- on September 15th, did you expect there to be an  
21 auction at 4 p.m.?

22 A No.

23 Q What did you expect?

24 A Well, I would hopeful that I would receive responses  
25 around 4 p.m. and potentially could have resulted in an auction

1 for certain securities, but ultimately I expected that I would  
2 receive prices that were actionable prices as of 4 p.m.

3 And so it was indeterminate at that point when I would  
4 receive it. I mean, in fact, I don't believe there was any  
5 language about any sort of deadline communicated in those  
6 solicitations, so I didn't know when I would necessary receive  
7 responses. I just knew it would be great if I got them close  
8 to 4 p.m.

9 Q Okay. And Mr. Andreoli asked you some questions about a  
10 document that was marked as 5951. Would you mind pulling that  
11 up?

12 A Sure, which?

13 Q In the black binder.

14 A Yes.

15 Q And do you recall being asked a series of questions about  
16 the fact that your -- with respect to say the September 15th  
17 Markit Partners, M-a-r-k-i-t Partners data, that there were  
18 different maturities and different notional amounts for the  
19 positions.

20 A Yes.

21 Q Was maturity and notional amount the only considerations  
22 that you considered in connection with determining what date  
23 Markit Partners information would be used?

24 A Yes.

25 MR. ANDREOLI: Objection, foundation.

1 MR. TRACEY: In general or with respect to the  
2 specific?

3 THE COURT: I think with respect to the specific?

4 MR. ANDREOLI: Well, no, let me -- it's in general.

5 THE COURT: Maybe break it down.

6 MR. TRACEY: I'll break it down.

7 BY MR. TRACEY:

8 Q So in general, when you were determining what date Markit  
9 Partners information to use --

10 A Yes.

11 Q -- did you consider any factors other than notional amount  
12 in maturity?

13 A Yes.

14 Q What other factors were considered?

15 A What the reference NME (ph) itself was, and whether I had  
16 reason to also not believe the reliability of certain Markit  
17 Partners' information, for example, in the case of Citadel I  
18 believe I spoke about earlier, and then whether it was index  
19 versus single name and, you know, and just generally the type  
20 of reference NME.

21 Q And what's the significance of index versus single name  
22 for this purpose?

23 A Sure. So generally an index will be more liquid, it's not  
24 always the case, especially with respect to certain off the run  
25 securities. But for example CDIX 4IG that we saw, even though

1 it's off the run, at least there were runs that went on it, and  
2 I was able to use a broker run on 9/15.

3 Whereas, you know, CDX 4H fall (ph) even though that's  
4 shorter dated, I might have had reason to believe that it was  
5 more liquid than a similarly short-dated corporate.

6 Q Okay. Mr. Andreoli asked you a question if you recall  
7 about whether you used prices or spreads to value transactions  
8 because you had not yet completed the market quotation process,  
9 do you recall that?

10 A Sorry, no, I didn't.

11 THE REPORTER: I need you to repeat it.

12 MR. TRACEY: I know how to get transcripts, it's the  
13 old fashioned way.

14 BY MR. TRACEY:

15 Q You were asked a question and I think you testified you  
16 used and it says Nixon, I don't know what that means, what is  
17 Nixon?

18 THE COURT: It's very (indiscernible).

19 MR. TRACEY: I don't have a good memory so -- 9/16  
20 okay.

21 THE COURT: 9/16.

22 Q So I'm going to read the question and answer.

23 A Sure.

24 Q "Q And I think you testified you used 9/16 prices  
25 or spreads to value transactions because you had completed your

1 market quotation -- had not completed your market quotation  
2 process until after the close of business on the 15th; is that  
3 right?"

4 A Yes, okay.

5 Q And your answer was,

6 "Yeah, generally 9/16 would be the earliest that we  
7 could transact post market quotation process."

8 Do you recall that?

9 A Yes.

10 Q Okay. And my question is, the -- whether you were talking  
11 about in that answer the selection of a date for market  
12 quotation for Markit Partners' pricing information, is that  
13 what you were referring to?

14 A Yes.

15 Q Okay. Anything else?

16 A Sorry. I'm now totally lost.

17 Q The reason I ask is because the question related to 9/16  
18 prices or spreads.

19 A Right.

20 Q And I just want to make clear that all you were talking  
21 about there was a selection of a date for use of Markit  
22 Partners.

23 A Yes, yes.

24 Q Thank you.

25 A I mean not -- and it could have been -- I guess it

1 wouldn't have necessarily been Markit Partners either it could  
2 have been the broker run as well, but with respect to sources  
3 where we did not receive information on the market quotation  
4 process itself.

5 Q And Mr. Andreoli asked you some questions about how you  
6 located broker runs. Do you recall that?

7 A Yes.

8 Q And how, in fact, did you locate broker runs?

9 A I searched my Bloombergs.

10 Q Okay. And --

11 A On Bloomberg. Sorry. I used Bloomberg to search my  
12 Bloombergs.

13 Q Okay. And when you searched for Bloombergs on your  
14 Bloomberg is it possible to identify all broker runs for a  
15 particular security during a particular time?

16 A Yes, it's possible, so long as you're using the right  
17 search criteria.

18 Q And why didn't you use BQuotes to do that?

19 A Because I just generally didn't use BQuotes.

20 Q And did you believe that Bloomberg was sufficient to  
21 identify the broker runs that you were looking for?

22 A Yeah. I mean, I guess I was trying to make clear earlier,  
23 he closes I think marketed more as in a tool for real time best  
24 bid/best offer execution, so the problem is if you want to go  
25 ahead and transact right now, you may have all these different

1 runs and you might have them from different counterparties and  
2 you have to go through and sort who's the best, how recent is  
3 it, et cetera, BQuotes what they claim to be able to do is take  
4 all your runs, kind of group them by reference entity, show  
5 them the time, show the best bid, best offer.

6 The problem is sometimes that effort of aggregating  
7 introduces some errors it doesn't always match the right things  
8 and sometimes it kicks out certain Bloombergs that come in.

9 So from -- it's good as a real time -- it's a better real  
10 time tool than Bloomberg because Bloomberg requires a lot more  
11 manual searching and filtering and sorting, et cetera. But  
12 from the perspective of actually looking through a universe of  
13 Bloomberg's, actually just using natively in Bloomberg is a  
14 better way of doing it anyway.

15 MR. TRACEY: I have nothing further, Your Honor.

16 THE COURT: All right. Thank you. Anything more?

17 MR. ANDREOLI: Can we just have one moment, Your  
18 Honor?

19 THE COURT: It actually never ends.

20 THE WITNESS: I mentally assumed 4:30, so I'm still  
21 20 minutes in the money.

22 (Pause)

23 RECROSS-EXAMINATION

24 BY MR. ANDREOLI:

25 Q Okay. Mr. Wollman, just a quick follow-up.

1 Mr. Tracey asked you a couple of questions about the  
2 BWIC/OWICs and you said by the time that the market quotation  
3 was sent out I had a different understanding of what was  
4 required per the ISDA.

5 So despite that new understanding you still used the words  
6 BWIC/OWIC in the market quotation request, right?

7 A Yes.

8 Q You mentioned factors you considered in terms of deciding  
9 which date to use for Markit Partners' spreads.

10 A Yes.

11 Q And you said one of the factors could have been the  
12 unreliability of Markit spreads.

13 A Yes.

14 Q There's nothing about unreliability of Markit spreads in  
15 the claim calculation spreadsheet other than for Citadel,  
16 right?

17 A Yeah. I was referring to that with respect to Citadel.

18 Q Okay. So no reason to question the reliability of Markit  
19 for any of the other trades you valued, right?

20 A Yeah. I was making a more general statement.

21 Q Okay. Mr. Tracey asked you some questions about searching  
22 Bloomberg as opposed to searching BQuotes.

23 A Yes.

24 Q Did you, in fact, search the way that Mr. Tracey suggested  
25 for all runs that you may have received for a particular name



1 at a given time?

2 A I'm sorry. I don't know that he necessarily specified a  
3 way that I --

4 Q Okay. Stepping back. Did you, in fact, search in  
5 connection with calculating QVT's claims against Lehman for all  
6 broker runs during a specified time for the trades you valued  
7 using broker runs?

8 A So the way you insert -- so, for example, maybe it's best  
9 I show you by example. Something like ABX, for example, I  
10 would type MSGS which is search messages ABX. And then I would  
11 get back a bunch of messages all that ABX over --arranged, and  
12 I would look through those. I mean I would -- it doesn't -- by  
13 definition when you do it, I guess there's more advanced  
14 searching capabilities, but it would just return the -- in  
15 reverse chronological order, well, yeah, in reverse  
16 chronological order what the messages received are that matched  
17 that tag and then I would look through them.

18 Q So you ultimately picked one to rely on, right, for each  
19 trade?

20 A Yes.

21 Q And you didn't save or preserve in the QVT.com all of  
22 those broker runs you may have considered but rejected, right?

23 A Did you say did I save the rejected ones?

24 Q Right.

25 A No.

1 MR. ANDREOLI: No further questions.

2 THE COURT: All right. Thank you.

3 Thank you very much, Mr. Wollman.

4 THE WITNESS: Sure.

5 THE COURT: So before we leave for the day we had to  
6 discuss the issue you raised about an additional witness,  
7 right? And when I left you, there may be going to be further  
8 discussions.

9 Please, step down.

10 MR. TAMBE: On the additional witness, Your Honor?

11 THE COURT: Yes.

12 MR. TAMBE: Deposition.

13 THE COURT: The deposition issue.

14 MR. TAMBE: We haven't had any further discussions,  
15 Your Honor.

16 THE COURT: Okay. I'm going to botch the  
17 pronunciation, DeSazio (ph).

18 MS. SAWYER: DeSazio.

19 THE COURT: Say it again.

20 MS. SAWYER: DeSazio.

21 THE COURT: So I need kind of a bid and an ask on  
22 briefing, I haven't looked at it yet.

23 MS. KELLER: Right. Well I've made a proposal to Ms.  
24 Sawyer and --

25 THE COURT: Say -- go to a microphone so we can

1 continue to record.

2 So the issue is that you would like to instead of  
3 calling him, offer his deposition testimony?

4 MS. KELLER: That's correct. We thought of calling  
5 him but we're of the view that we can use his deposition as of  
6 right, and we would like to -- I suggested to Ms. Sawyer that  
7 we both go back and designate and counter designate and object  
8 to each other's designations and we will submit it as part of  
9 our direct case for your review. And I also have the Philbin  
10 deposition, Your Honor, which by the way we have agreed on and  
11 marked up, and I'd like to hand it up.

12 THE COURT: So, Ms. Sawyer, did you need additional  
13 time to think about this?

14 MS. SAWYER: My colleagues have told me I received an  
15 e-mail, but I don't check my e-mails during the day while I'm  
16 in court, so this is the first I've heard it.

17 THE COURT: We can take it up tomorrow. I'm just  
18 looking ahead on the list and it doesn't come up at least in  
19 the third amended schedule.

20 MS. SAWYER: Not until the 27th, Your Honor.

21 THE COURT: Till the 27th, so we have some time. So  
22 we don't have to talk about not today.

23 MS. KELLER: That's correct, we can talk about it  
24 after court, she can certainly have time to respond if she  
25 needs to put in papers.

1 THE COURT: Okay. We'll leave it there and we'll  
2 just make a mental note to talk about it tomorrow or the next  
3 day or at some appropriate point if it remains unworked out.

4 MS. KELLER: That would be great, yes.

5 THE COURT: Okay?

6 MS. SAWYER: Yes.

7 THE COURT: Okay. So was there anything else that we  
8 needed to talk about today?

9 MS. KELLER: Yeah. Over the weekend, we exchanged  
10 mark-ups of the Philbin deposition, Megan Philbin was --

11 THE COURT: Yes, the one with the medical issue.

12 MS. KELLER: -- she's ill and in lieu of her  
13 testimony we've agreed to hand up a mark-up of her deposition.

14 MS. SAWYER: I've certainly reviewed it. I think we  
15 objected to the admission of it, but we understand that you  
16 were going to (indiscernible) so just --

17 THE COURT: You understand?

18 MS. SAWYER: You're going to be accepting to  
19 deposition testimony. I don't think that there's an agreement  
20 that we think --

21 THE COURT: Okay. I'm not -- my mind is drawing a  
22 blank on this. When I -- my recollection is when we spoke  
23 about this last, there was going to be an inquiry since -- let  
24 me back up.

25 Because the trial is going to go for as long as it

1 is, there was the thought that perhaps she would recover  
2 sufficiently that Lehman could renew the request to have her  
3 appear. And I do not recall that that was definitively  
4 rejected --

5 MS. SAWYER: Right.

6 THE COURT: -- but maybe that's my bad.

7 MS. KELLER: Well, I had understood after we had that  
8 conversation with Your Honor that Jones Day agreed to work out  
9 the deposition language to submit to Your Honor that it is  
10 unlikely she will be well enough to appear during the duration  
11 of this trial, and that we would go forward with submitting it  
12 as part of QVT's direct case.

13 THE COURT: Okay.

14 MS. KELLER: Subject to whatever happens down the  
15 road.

16 THE COURT: What I'm saying to you is I don't  
17 remember that last piece, so that's why I'm looking at Ms.  
18 Sawyer to see if that --

19 MS. KELLER: Sure.

20 THE COURT: -- is --

21 MS. SAWYER: I don't remember that last piece either.  
22 My understanding was is that Ms. Philbin's deposition was going  
23 to be submitted at this time for your consideration, while we  
24 were reserving all rights to seek further deposition or in-  
25 person trial testimony to when she's able to testify.

1 THE COURT: Yes, that's what I thought.

2 MR. TRACEY: You agree, for what it's worth, that's  
3 my recollection.

4 THE COURT: That's my recollection. So I guess we  
5 have --

6 MS. KELLER: Well, we have an agreed form of marked  
7 up deposition --

8 THE COURT: Okay. I guess what I'm stumbling on is  
9 the agreed form. That's the word that I think is causing --

10 MS. SAWYER: (indiscernible)

11 THE COURT: Okay.

12 MS. SAWYER: We have exchanged drafts showing the  
13 designations both parties made and the objections that both  
14 parties made to Ms. Philbin's deposition testimony. And I  
15 believe that we are in agreement that things are highlighted  
16 properly and the objections are noted properly to her  
17 deposition testimony.

18 THE COURT: Okay.

19 MS. SAWYER: I do not think there's an agreement that  
20 we will not potentially pursue her live testimony in the  
21 future.

22 MS. KELLER: Correct, Your Honor. I don't know what  
23 they're going to do to pursue down the road. But I do have a  
24 document to hand up which is her deposition. And QVT's  
25 designated sections are in one color and Lehman's designated

1 sections --

2 THE COURT: Okay.

3 MS. KELLER: -- are in another color and jointly  
4 designated sections are in a third color.

5 THE COURT: Okay.

6 MS. KELLER: And the objections back and forth are  
7 also included in the schedule, and we have the exhibits for  
8 Your Honor. Would you --

9 THE COURT: So I can take that, but it's subject to  
10 their --

11 MS. KELLER: Reservation of rights.

12 THE COURT: -- reservation of rights to continue to  
13 seek additional either video -- additional deposition testimony  
14 or trial testimony in some fashion. You're hesitating at that  
15 so I'm just --

16 MS. KELLER: We are submitting this for your review  
17 as part of our direct case.

18 MS. SAWYER: We don't disagree with that, Your Honor.

19 THE COURT: Okay.

20 MS. SAWYER: But subject to our reservation of  
21 rights.

22 THE COURT: Okay?

23 MS. KELLER: Yes.

24 THE COURT: Okay.

25 MS. KELLER: May I --

1 THE COURT: Sure.

2 MS. KELLER: -- approach the Court?

3 THE COURT: Yes.

4 MS. KELLER: Would you like one or two sets?

5 THE COURT: Two, if you have it. Is that a burden?

6 MS. SAWYER: We have a copy.

7 THE COURT: That's okay. We'll make due.

8 Okay. So early day and an early day tomorrow 9:30.

9 All right. All right. Thank you all very much.

10 (Whereupon, these proceedings were concluded at 4:21 p.m.)

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I N D E X

T E S T I M O N Y

WITNESS	EXAM BY	PAGE	LINE
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C E R T I F I C A T I O N

We, Lisa Beck, Jamie Gallagher and Sheila Orms certify that the foregoing transcript is a true and accurate record of the proceedings.

Lisa Beck

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